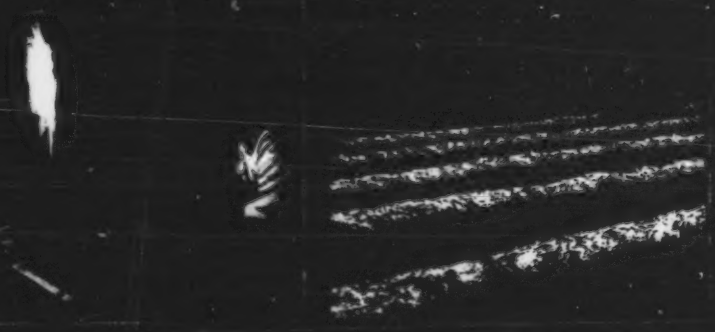
Alberta Heritage Savings Trust Fund

Annual Report
1989-90



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The Heritage Fund was established in 1976 with three objectives:

1. to save for the future;
2. to strengthen and diversify the economy of Alberta; and
3. to improve the quality of life for Albertans.

TREASURY

The Honourable Dick Johnston
Provincial Treasurer

A.J. McPherson
Deputy Provincial Treasurer -
Finance and Revenue

Additional copies of this annual report and copies of the future quarterly reports on the Alberta Heritage Savings Trust Fund may be obtained by writing:

Heritage Fund Reports
302 Terrace Building
Edmonton, Alberta T5K 2C3

or by telephoning (403) 427-9957

Heritage Fund Highlights

Net income of $1.24 billion helped to sustain the superior level of service provided to all Albertans and made a significant contribution towards reducing the province's deficit.

$3.2 billion worth of marketable securities earned an average rate of return of 12.4% for the Heritage Fund and allowed it the liquidity to participate in investment projects furthering the economic growth and diversification of Alberta.

Construction of the $1.27 billion Lloydminster Bi-provincial Upgrader project continued with a Heritage Fund investment of $27 million.

Economic diversification is strengthened through Alberta's small businesses and the quality of life is enhanced for homeowners, senior citizen renters, low-income families and special needs individuals with a $110 million investment in Alberta Opportunity Company and Alberta Mortgage and Housing Corporation.

A review of the mandate of several Crown corporations – Alberta Mortgage and Housing Corporation, Alberta Government Telephones and Alberta Agricultural Development Corporation – has resulted in restructuring or a shift in focus to ensure that they are consistent with the needs of Albertans in the decade ahead.

Irrigation projects, individual telephone line for rural Albertans, medical research and urban parks development were among the 15 Capital Projects Division investments totalling $134 million.

Heritage Fund

Provincial Treasurer's Report

As a vital part of the Province's economic, fiscal and financial strategy, in its fourteenth year, the Heritage Fund made a major contribution to the quality of life in Alberta. Not only did the Fund invest in projects to foster economic growth and diversification, it also provided over $1.2 billion of income to support Alberta's high quality programs in areas such as education, health care and the environment. The income provided by the Heritage Fund was about equivalent to the cost of all of the programs offered by the departments of Advanced Education and Environment in 1989-90.

The Alberta economy has expanded over the past several years. Real economic growth in 1989 was a moderate 0.5 per cent, and the unemployment rate continued to decline to 7.2 per cent, reaching its lowest level since 1981. Economic diversification continued in 1989, with Alberta achieving the highest level of investment per capita in Canada. About two-thirds of private investment occurred in industries outside the oil and gas sector during the year. In 1989, over 17,000 new businesses were started in Alberta. This is the largest number of new business start-ups since 1981.

As the Alberta economy expands and diversifies, the need for Heritage Fund investment in certain sectors has changed or been reduced. Over the past few years the government has reviewed the mandates and programs of several Crown corporations which have been major borrowers from the Heritage Fund. These reviews were undertaken to ensure that the programs which were initiated in the late 1970's and early 1980's would continue to meet the needs of Albertans in the 1990's.

The review of the Alberta Agricultural Development Corporation (AADC) in 1988 helped focus the Corporation in providing financing to beginning farmers and in supporting the growth of secondary processing of agricultural products. In 1988-89, AADC began offering the Index Deferral Program, which assists borrowers by linking their loan payments to the level of commodity prices, and in 1989-90 it established a Vendor Mortgage Plan to assist in the intergenerational transfer of family farms. These changes, and others, have helped to foster a strong and healthy agrifood sector in Alberta.

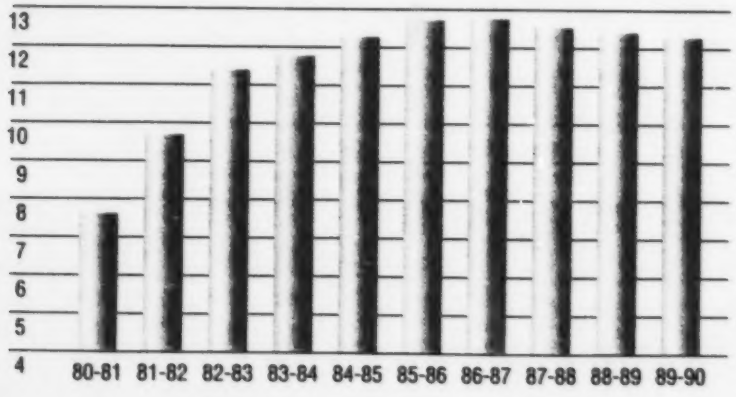
The Alberta Opportunity Company (AOC) has introduced new Venture and Seed Funding programs to promote diversification in areas such as tourism, manufacturing, high technology and forest products development. AOC also continues to provide financing to Alberta businesses outside the major urban centres.

In 1989-90, a review of the mandate and programs of Alberta Mortgage and Housing Corporation (AMHC) was initiated. During the 1970's and 1980's AMHC provided programs to help Albertans with moderate incomes purchase their own homes and other programs to expand the supply of rental accommodation. As well, several other special needs groups such as seniors, people with disabilities and other Albertans with special housing needs were offered assistance through the financing and construction of various social housing projects. As a result of this review, AMHC will concentrate its future efforts in the area of social housing. The corporation is selling assets which are not part of this new focus. In June 1990, the corporation announced the sale of its single family mortgage portfolio to Alberta-based and national financial institutions. The proceeds of this sale will be used to repay approximately $607 million of debentures held by the Heritage Fund.

Financial Assets

Years ending March 31

Financial Assets (billions of dollars)



The government has also announced the reorganization of AGT and the creation of TELUS Corporation. This action has been taken to position the Corporation for future growth in a competitive marketplace, and to allow Albertans to participate directly in the future of this company. To facilitate the offering of common shares, the Heritage Fund's investment in $1.2 billion of AGT debentures is being exchanged for common shares of TELUS Corporation, a portion of which are being sold in the initial public offering announced by the Government of Alberta on August 8, 1990. The remaining share holding is expected to be sold in the future, when market conditions permit.

The restructuring that is occurring as a result of these reviews, as well as the normal repayments of previously issued debentures, will reduce the amount of Alberta Crown corporation debt held by the Heritage Fund. These changes reflect the maturity of the Heritage Fund, the corporations themselves, and the Alberta economy. The broader economy of the 1990's is different from that of the 1970's and 1980's, and the repayment of investments made during these years reflects this fact. The money received by the Heritage Fund as a result of these changes will be invested in equities and interest bearing securities and it will provide greater flexibility to respond to future needs.

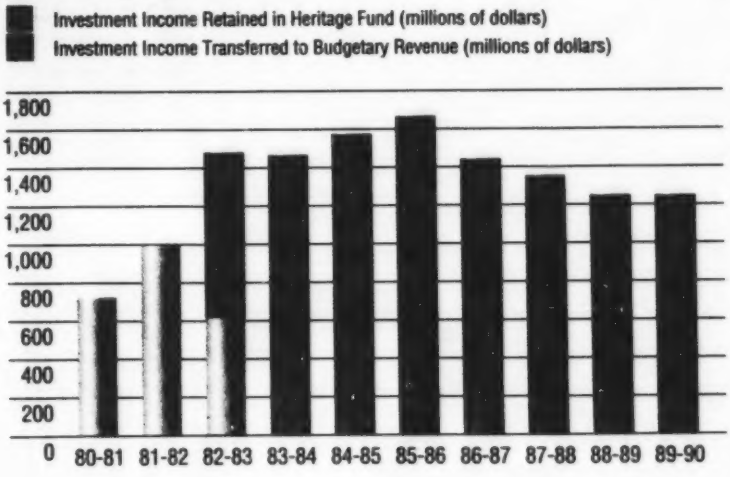
The Heritage Fund is actively investing in several important Alberta projects. In 1989-90, the Fund invested $27 million in the Lloydminster Bi-provincial Upgrader. This $1.3 billion project, in which the Heritage Fund has a 24 per cent participating interest, will produce 46,000 barrels of oil per day from its heavy oil feedstock. The Upgrader will create 1,500 permanent jobs when it is completed, and it will help Alberta continue to be a reliable supplier of oil to its customers in Canada and abroad. Both engineering and construction are on schedule for the planned November 30, 1992 start-up. As well, an initial investment of $4 million was made in the OSLO Oil Sands Project near Fort McMurray to allow engineering work on this important project to proceed. The Fund also invested $42 million in Alberta Energy Company common shares to maintain the Province's equity position in the company.

Investments made through the Capital Projects Division totalled $134 million in 1989-90. These investments reduce the financial assets of the Fund, but they provide important long term economic and social benefits to the people of Alberta. A further $46 million was invested in 1989-90 to bring individual line telephone service to rural Albertans. In total, 65,000 telephone customers have received individual lines under this program to date. Other investments included the construction and rehabilitation of irrigation systems in southern Alberta, and important investments in tourism, parks, recreation areas and research.

The Heritage Fund is changing to meet the needs of Albertans in the 1990's. This substantial and dynamic financial resource will continue to work hard for Albertans, and will help ensure they benefit from the opportunities of the decade ahead.

Dick Johnston
Provincial Treasurer

Investment Income



How the Heritage Fund Works

The Heritage Fund and the Province's Fiscal Strategy

The Alberta Heritage Savings Trust Fund was created in 1976. The government recognized that the rapidly increasing revenues received by the province at that time from the sale of non-renewable resources would not continue indefinitely. The Fund has had three basic objectives since its inception 13 years ago:

1. to save for the future,
2. to strengthen and diversify Alberta's economy, and
3. to improve the quality of life in Alberta.

The Early Years

In the early years of the Fund's existence, Alberta's economy grew rapidly in response to higher prices for our oil and gas resources. The oil boom of that period provided the government with considerable flexibility in the management of the province's finances. While keeping taxes low and providing the highest quality services to Albertans, the government was also able to allow the Heritage Fund to grow quickly through the transfer of 30 per cent of resource revenues received by the province. The Fund also retained the earnings on its investments, and had accumulated financial assets of nearly $10 billion by March 31, 1982.

Responding to Fiscal Realities

In 1982 an economic slowdown resulted in a budgetary deficit. Effective September 1982, an amendment to the Heritage Fund Act permitted the transfer of investment earnings from the Fund to the province's general revenues. Including the 1989-90 income, over $10.8 billion has been transferred to the province's budgetary revenues since September 1982.

Starting in 1983-84, the percentage of non-renewable resource revenue transferred to the Heritage Fund was reduced from 30 per cent to 15 per cent. Since April 1987. no non-renewable resource revenue has been transferred to the Heritage Fund.

As a result, the Heritage Fund is no longer growing as all non-renewable resource revenue and income on investments are transferred to the General Revenue Fund to help reduce the budget deficit and contribute to the provision of necessary programs and services.

Information on the overall financial position of the Province of Alberta can be obtained from the Consolidated Financial Statements in the Public Accounts of Alberta.

The Heritage Fund and Provincial Crown Corporations

At March 31, 1990 the Heritage Fund had investments totalling approximately $5.8 billion in the debentures of five provincial Crown corporations: Alberta Government Telephones Commission, Alberta Municipal Financing Corporation, Alberta Mortgage and Housing Corporation, Alberta Agricultural Development Corporation and Alberta Opportunity Company. All the investments were made at market rates of interest and original terms range from five to 30 years. Like other income of the Heritage Fund the interest income from these debentures is transferred to the General Revenue Fund for budgetary purposes.

Alberta Government Telephones Commission and Alberta Municipal Financing Corporation are fully self-sufficient, but because of the nature of their programs, Alberta Mortgage and Housing Corporation, Alberta Agricultural Development Corporation and Alberta Opportunity Company each receive grants from the General Revenue Fund. Grants of $171 million, $94 million and $11 million respectively in 1989-90 enabled these three corporations to deliver their programs at less than full cost, thereby helping thousands of Alberta farmers, small businesses, homeowners, renters and senior citizens.

Requiring the corporations to borrow at market interest rates and providing grants from the General Revenue Fund to the corporations, where necessary, makes the costs of these programs explicit and ensures that the Legislative Assembly has the opportunity to vote on these expenditures as it does on expenditures for other programs. Also, consistent with the Heritage Fund's role as an investment fund, the relevant department, and not the Heritage Fund, is charged the cost of any subsidies involved in the corporations' programs.

Additional information on the finances of provincial Crown corporations is available from their annual reports and the Public Accounts of Alberta.

Who Makes the Decisions?

The responsibility for the administration of the Alberta Heritage Savings Trust Fund rests with the elected representatives of the people of Alberta and their respective staffs. The chart on page 5 shows the division of the key responsibilities relating to the Heritage Fund.

Investment proposals under the Alberta, Energy and Capital Projects Divisions are typically recommended by the appropriate government department through the responsible minister.

1. Establishes overall legislative framework for the Fund and its operations.
2. Approves the Special Appropriation Act to transfer resource revenue to the Heritage Fund.
3. Votes on the amounts to be invested under the Capital Projects Division.
4. Approves maximum investment in each provincial Crown corporation under the Alberta Investment Division.
5. Votes on operating grants from the General Revenue Fund to Alberta Mortgage and Housing Corporation, Alberta Agricultural Development Corporation and Alberta Opportunity Company.

1. Audits the financial statements of the Heritage Fund.

1. Responsible for day to day investments under the Commercial Investment Division and Cash and Marketable Securities.
2. Responsible for overall administration of the Heritage Fund.

1. Approves all investments under the Alberta, Canada and Energy Investment Divisions upon the recommendation of the Provincial Treasurer.
2. Has delegated authority to the Provincial Treasurer to make investments under the Commercial Investment Division within guidelines it has approved.

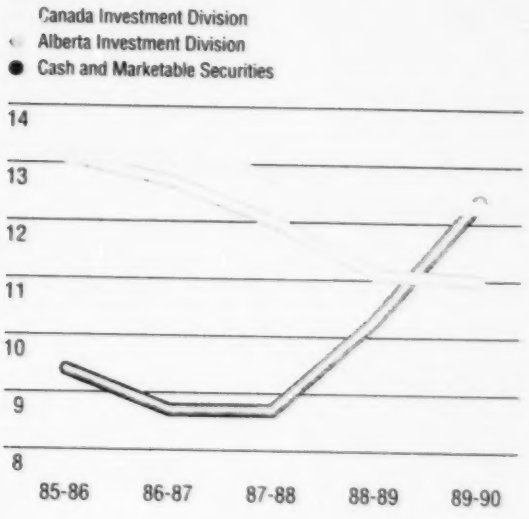
1. Reviews Annual Report and makes recommendations with respect to existing and potential investments.

1. Responsible for the submission of budgets and the administration of projects funded through the Capital Projects Division, the administration of provincial Crown corporations financed under the Alberta Investment Division and of certain other investments.

Rates of Return

Rate of Return by Division for Fixed Income Securities

At Cost (Percentage)

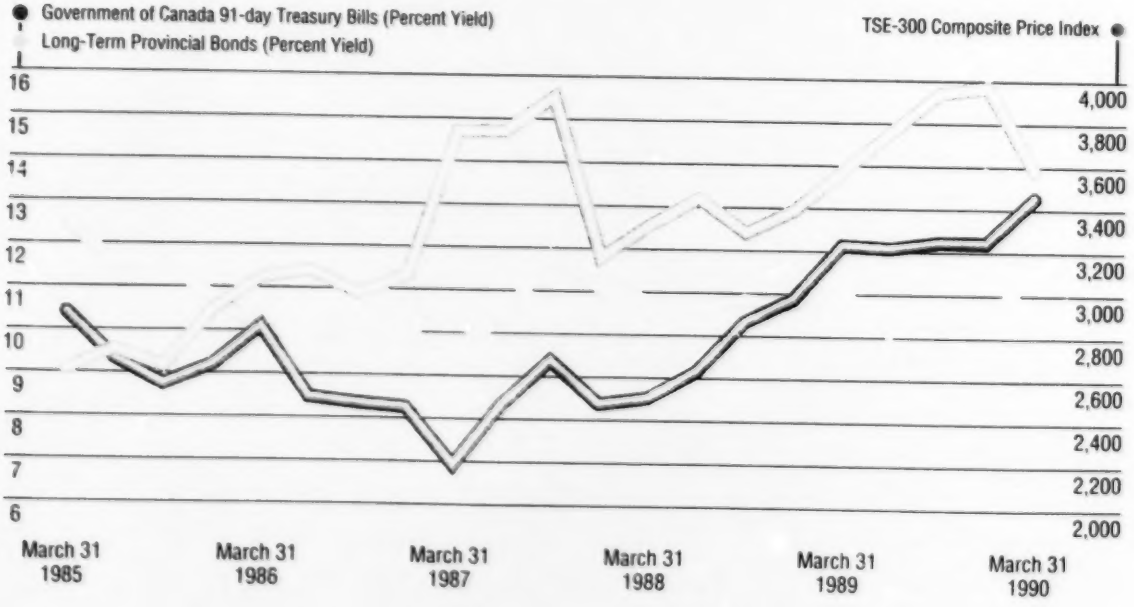


Rates of Return and Yields on Investments 1989-90

	Rate of Return on Amortized Cost (%)	Yield to Maturity on Amortized Cost of Fixed Income Securities (%)
Canada Investment Division	12.3	12.4
Alberta Investment Division	11.0	11.1
Commercial Investment Division	5.9[a]	11.6[b]
Cash and Marketable Securities	12.4	12.6
	11.4	11.7

a) Does not include the unrealized appreciation in market value of shares.
b) Money market securities only.

Trends in Yields on Canadian Securities



The Heritage Fund consists of five Investment Divisions and a portfolio of marketable securities. The following chart describes the different types of investments permitted for each Division.

Division	What the Investments Must Do	Investments Permitted
Alberta Investment Division	Strengthen or diversify the economy of Alberta. Yield a reasonable return or profit.	Debt or equity. No limitation on the size of the Division. Current investments include debentures of provincial Crown corporations, corporate debentures, and equity holdings.
Canada Investment Division	Yield a reasonable return or profit.	Loans to other provincial governments or their agencies. The Division is limited to 20 per cent of the Fund's assets including deemed assets.* Lending activity was suspended in March, 1982.
Commercial Investment Division	Yield a commercial return or profit.	A wide range of securities is permitted. Current investments are primarily common shares. Guidelines limit investment in common shares of any one Canadian corporation to no more than five per cent of the shares outstanding. Investments are managed on a passive basis. Since 1984-85, the Investment Committee has allowed its original $200 million limit on the Division to increase quarterly by an amount equivalent to the net investment income earned by the Division.
Energy Investment Division	Facilitate the development, processing or transportation of energy resources within Canada. Yield a reasonable return or profit.	Debt or equity. No limitation on the size of the Division.
Capital Projects Division	Provide long-term economic or social benefits to the people of Alberta. Projects may not necessarily by their nature yield a return.	Current investments include capital projects, agricultural and oil sands research, and endowment funds for medical research and scholarships. In July 1988, the Legislature approved an increase in the limit on this Division from 20 per cent to 25 per cent of the Fund's assets including deemed assets.*
Cash and Marketable Securities	Invest funds not immediately required for other Divisions. Yield a market return.	Short-term and medium-term money market securities, marketable bonds, and deposits.

* Non-recoverable investments under the Capital Projects Division are classified as deemed assets of the Heritage Fund and are not included in its financial assets.

Financial Assets

Alberta Investment Division

Alberta Government Telephones Commission (AGT)

AGT is a provincial Crown corporation that provides local and long distance communications, fully integrated and customized business systems, terminal equipment and mobile communications for Albertans. Through its subsidiaries and joint venture partners, AGT is able to market its telecommunications expertise and products around the globe. AGT is helping Alberta to be at the cutting edge of technology and competitiveness.

On May 31, 1990, the government announced its intention to privatize AGT. This action has been taken to position the Corporation for future growth in a competitive market place, and to allow Albertans to participate directly in the future of this company.

AGT financed its 1989 activities from internal sources and by short-term borrowing.

Investment at March 31, 1990:
$999 million

Alberta Opportunity Company

Alberta Opportunity Company provides loans, loan guarantees, equity investments, financial guidance and management assistance to small Alberta businesses. The Company is providing a major contribution toward meeting the needs of Alberta's entrepreneurs, especially those in smaller and rural centres. The Company has introduced Venture Capital and Seed Funding programs to provide equity investments in 'early-stage' developing businesses. The Seed Funding program provides innovative financing for activities such as market research business planning and prototype development. This new initiative is designed to promote the diversification of Alberta's economy in tourism, manufacturing, high technology and forest product businesses. The Company's Venture and Seed Funding programs are being financed by repayable advances from the General Revenue Fund.

In 1989-90, the Company approved 395 loans totalling $33.8 million and 23 investments of $11.7 million under the Venture and Seed Funding programs. As well, during this period, 10 guarantee commitments were made for $0.6 million.

Investment in 1989-90: $32 million
Investment at March 31, 1990:
$157 million

Alberta Opportunity Company provides financing to a broad range of businesses such as this precision tooling and plastic injection molding company (opposite) and this pharmaceutical company (right) that has developed a 'Peptide Synthesizer', which produces a vaccine aimed at preventing pneumonia.

Alberta Energy Company Ltd. (AEC)

AEC was established to encourage Albertans and other Canadians to participate in the development of energy and other natural resources. About 85 per cent of AEC's 45,000 shareholders are Albertans. AEC, which at December 31, 1989, had assets of $2 billion, employs over 1,000 full-time employees and has direct economic involvement in 14 Alberta communities.

While AEC's operations are concentrated in Alberta, it is also active throughout western Canada and the U.S.A. The Company's activities include oil and gas exploration and development, investments in Syncrude, pipelines, forest products, an electric utility, a coal mine and a nitrogen fertilizer business.

In June 1989, the Heritage Fund began to receive dividends in the form of common shares under Alberta Energy Company's dividend reinvestment plan on an ongoing basis. This will modestly increase the Heritage Fund holdings in Alberta Energy Company.

During 1989, a $100 million common share issue was completed. The Heritage Fund purchased 1.75 million common shares for $35 million, maintaining the province's 35 per cent equity position in the company.

Investment in 1989-90: $42 million
Investment at March 31, 1990 (at cost): $159 million

Alberta Agricultural Development Corporation

The Corporation provides loans, loan guarantees and financial counselling to farmers and agribusinesses in order to foster a sustainable, profitable agrifood sector in Alberta. Programs and services are designed to: assist family-owned farm businesses develop as profitable, self-supporting enterprises; promote value-added processing, the farm service sector and other diversification opportunities; and improve the long-term health of the Alberta agricultural financial service sector.

Programs include such features as interest incentives for eligible beginning farmers. In April 1988, the Indexed Deferral Plan was announced which is designed to enhance borrowers' cash flow in years when commodity prices are below the 10 year average by allowing an interest-free deferral on a portion of normal loan payments. At March 31, 1990, 4,001 loans, 41 per cent of AADC direct farm loans outstanding, were participating in the Indexed Deferral Plan and the total amount deferred was $40.2 million.

In 1989-90, the Corporation made 1,065 loans under its direct loan programs, totalling $86 million and provided 5,732 loan guarantees totalling $76.2 million. These loans assisted beginning farmers entry into agriculture and helped established farmers expand. Twenty-five loans totalling $5.8 million were also provided to assist in the establishment and expansion of food processing, agribusiness and the farm service sector in Alberta. These loans further contributed to the diversification and expansion of the rural economic base.

Investment in 1989-90: nil
Investment at March 31, 1990: $999 million

Prince Rupert Grain Terminal - Ridley Grain Ltd.

The Prince Rupert Grain Terminal is owned and operated by Ridley Grain Ltd., a consortium of six major western Canadian grain companies. The Heritage Fund's investment is in the form of first mortgage bonds. Financing was also provided for this project by members of the consortium and from the province's general revenues.

The 1988 prairie-wide drought decreased western Canadian grain production by over 40 per cent and resulted in a 30 per cent drop in the amount of grain processed by the highly automated grain terminal in Prince Rupert in 1988-89. As a consequence of this low throughput, the Heritage Fund's interest payments received in 1989 decreased to $6.6 million.

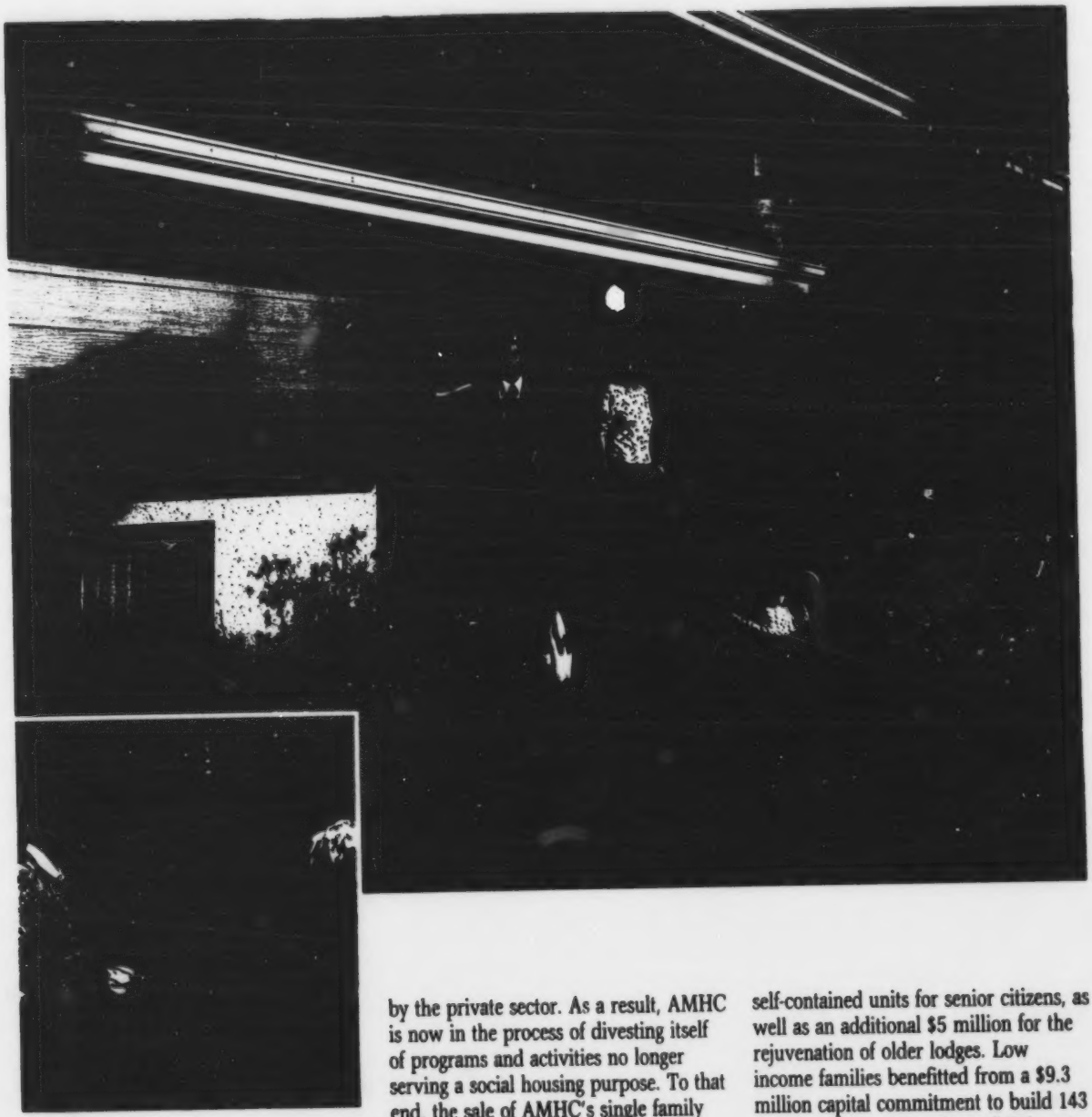
The return to normal grain production level in 1989 is expected to increase the 1989-90 grain processing by the Prince Rupert grain terminal to 4.5 million tonnes, well above the terminal's design capacity of 3.5 million tonnes and 2.8 million tonnes processed in 1988-89. Consequently, Ridley Grain Ltd. is anticipated to be able to meet fully its interest payment obligation on the Heritage Fund's mortgage bond in 1990.

Investment at March 31, 1990: $134 million

Alberta Mortgage and Housing Corporation

The Alberta Mortgage and Housing Corporation (AMHC) has played an active role in meeting the government's commitment to provide affordable housing to all Albertans. The extreme housing demand of the 1970s and early 1980s necessitated direct government involvement through assisted lending programs and land development. AMHC's assisted homeownership programs, totalling some 42,500 loans since its inception, have enabled modest income families to own their own home. The shortage of supply in affordable rental accommodation was eased by the Corporation providing over 23,000 apartment-style rental units and about 8,200 community housing units for low income families. In addition, over 18,000 lodge and self-contained units for senior citizens and 172 units for special needs individuals have been developed by AMHC through funding provided by the Heritage Fund.

In 1989, the government initiated a review of AMHC's mandate and programs to determine the government's focus in housing for the 1990s. It was established that the future of AMHC lies in social housing to meet the needs of senior citizens, low income families and special needs individuals. It was also established that the market conditions necessitating AMHC's administration of land, foreclosed property and loan portfolios have changed, and therefore these functions would be better managed



Alberta Mortgage and Housing Corporation is helping special needs individuals to be able to live in their own home by providing financing to projects such as 'Mark's Home Again Society'.

by the private sector. As a result, AMHC is now in the process of divesting itself of programs and activities no longer serving a social housing purpose. To that end, the sale of AMHC's single family mortgage portfolio was announced in June 1990. Mortgagors are assured of the same terms of their original loan until renewal and are provided expanded banking services by their new financial institutions. The proceeds of the sale will be used to repay about $607 million of debentures held by the Heritage Fund.

AMHC has been responsive in meeting the social housing needs of Albertans in 1989-90. The Corporation committed $25 million for the construction of about 400 lodge beds and self-contained units for senior citizens, as well as an additional $5 million for the rejuvenation of older lodges. Low income families benefitted from a $9.3 million capital commitment to build 143 community housing units and 631 rent supplement units. In addition, $11.6 million in mortgages was provided to 162 rural and native families. Efforts to house the disabled and others with special needs included over $700,000 for the provision of 18 housing units under the Private and Public Non-Profit programs.

Investment in 1989-90: $78 million
Investment at March 31, 1990: $2,926 million

Lloydminster Bi-provincial Upgrader

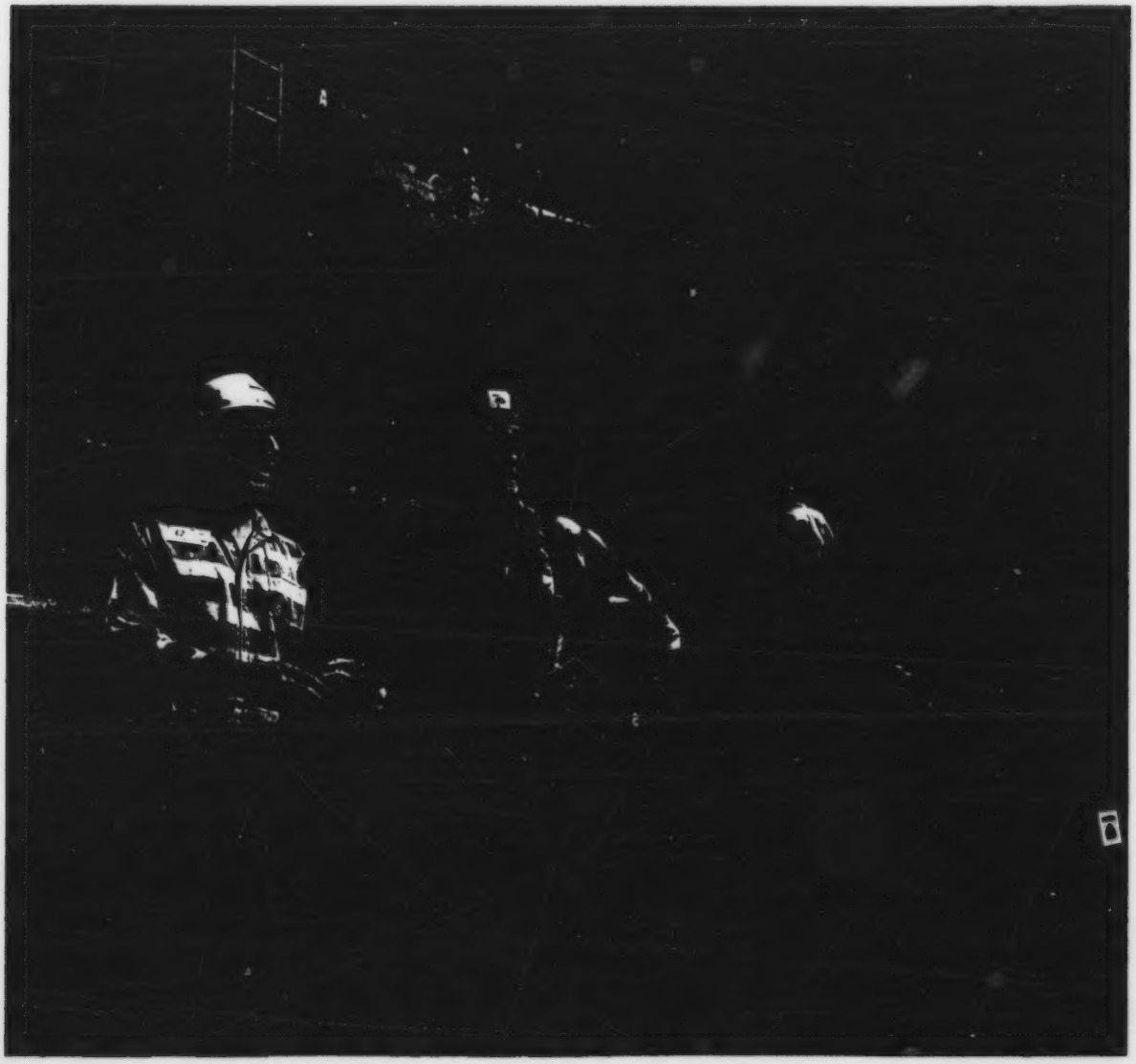
The Lloydminster Bi-provincial Upgrader is a joint venture project by the governments of Alberta, Saskatchewan and Canada, and Husky Oil Ltd. Husky Oil Ltd., who is managing the construction on behalf of the Joint Venture, continued work on the Upgrader during the fiscal year. The Upgrader will have the capacity to produce 46,000 barrels of crude oil per day with feedstock coming from heavy oil and bitumen reserves in Alberta and Saskatchewan.

The project remains on schedule for completion by November 30, 1992, at an estimated total cost of $1.3 billion. The 1990 field construction program began in March with the awarding of construction contracts for pilings and underground piping. The construction is continuing and the first heavy vessels were delivered on site at the end of May 1990.

During 1989-90, the Heritage Fund invested $27.4 million in the Upgrader and an estimated $104 million will be invested in 1990-91.

Investment in 1989-90: $27 million
Investment at March 31, 1990: $30 million

The Lloydminster Bi-provincial Upgrader project, on schedule for a November 1992 start-up, will provide 46,000 barrels of oil per day helping Alberta to be a reliable supplier of oil to its customers in Canada and abroad.



OSLO Project

Effective April 1, 1989, the Heritage Fund commenced its investment in the OSLO Oil Sands Project, which is a joint venture among six of the eight Syncrude participants. OSLO is an acronym for Other Six Leases Operation, referring to the other six leases owned by the original Syncrude members. The owners and their equity shares are as follows:

Esso Resources Canada Limited	25%
Gulf Canada Resources Limited	20%
Canadian Occidental Petroleum Ltd.	20%
Petro-Canada Inc.	15%
PanCanadian Petroleum Limited	10%
Alberta Oil Sands Equity	10%

The project is located 64 kilometres northeast of Fort McMurray, close to, but across the Athabasca River from the Syncrude site.

The lease on which the project will be situated is capable of producing up to 200,000 barrels of synthetic crude oil per day for 50 years. Current plans would see the project produce approximately 80,000 barrels per day with initial capital costs of about $4.3 billion.

During 1989-90, work continued on the detailed engineering studies necessary to develop a commercial project. It is expected these studies will be completed by the end of 1991 and a decision on whether to proceed with construction will be made by July 1992.

A Statement of Principles, covering the fiscal arrangements for the project, was signed by the Owners and the Governments of Alberta and Canada in September 1988. Work continued on the preparation of the detailed agreements until February 1990, when the Federal Government withdrew its funding commitments to the project. Subsequently, agreements have been reached with the Federal and Alberta Governments to provide a portion of the funding for the engineering studies only.

Negotiations are continuing between the Owners and Alberta regarding fiscal terms for the project.

Investment in 1989-90: $4 million
Investment at March 31, 1990: $4 million

Syncrude

During the fiscal year 1989-90, the Syncrude Project produced 51.3 million barrels of synthetic crude oil. This compares to production of 54.4 million barrels of synthetic crude oil in the previous fiscal year. Reduced production was the result of an explosion and fire and the subsequent shutdown of one of the two gas oil hydrotreaters in December 1989.

Despite the reduced production, Alberta's investment in the project realized a profit of $22.5 million as compared to a loss of $3.1 million in the previous year. This was in large part due to increased crude oil prices, up some $4 from last year, which averaged about C$23 per barrel.

Investment (net) in 1989-90: $7 million
Investment at March 31, 1990: $519 million

NOVA Corporation of Alberta Ltd. (NOVA)

NOVA is a major Alberta-based energy company operating internationally with assets of $7.9 billion and world headquarters in Calgary. NOVA's businesses include petrochemicals, plastics, pipelines and gas marketing, petroleum and related engineering.

In September 1989, the Heritage Fund purchased 2.8 million common shares of NOVA Corporation of Alberta at a price of $8.75 per share for a total consideration of $24.5 million. The purchase resulted from NOVA's transferable rights offering on August 24, 1989, extended to shareholders, convertible debenture holders and warrant holders to subscribe for up to 53 million common shares. The Heritage Fund's rights arose from its holding of NOVA's $150 million Adjustable Rate Convertible Subordinated Debentures purchased in 1987.

Investment income received by the Heritage Fund amounted to $10 million for 1989-90.

Investment in 1989-90: $25 million
Investment at March 31, 1990: $175 million

Alberta Municipal Financing Corporation

Loans provided by this Crown corporation, reflecting the province's lower cost of borrowing, are an economical source of long-term financing for Alberta's municipalities, school systems and hospital districts.

During 1989, the Corporation loaned a total of $425 million and financed its activities by borrowing from the Canada Pension Plan Investment Fund and by drawing down sinking fund assets.

Investment at March 31, 1990: $710 million

Millar Western Pulp Ltd.

Millar Western Industries Ltd. is an Alberta-based company with major interests in the lumber and pulp industry. With a loan of $120 million from the Heritage Fund, the company built, through a wholly-owned subsidiary, a $204 million, state-of-the-art, bleached chemithermomechanical pulp (CTMP) mill at Whitecourt, Alberta. The mill is fully operational with an annual capacity of 210,000 tonnes of custom-made hardwood and softwood bleached pulp. The operation of the mill is providing spinoff benefits to the local economy.

Investment at March 31, 1990: $120 million

Canadian Western Bank

The Canadian Western Bank was formed on April 29, 1988, with the amalgamation of the Bank of Alberta with Western & Pacific Bank of Canada. The Canadian Western Bank is a western-based financial institution with its corporate office in Edmonton and branches in Alberta and British Columbia. The Heritage Fund's investment in the Canadian Western Bank is in the form of common shares.

Investment at March 31, 1990: $2 million

Capital Projects Division

Vencap Equities Alberta Ltd.

Vencap was launched in 1983 with a $44 million public share and convertible debenture issue and a $200 million participating loan from the Heritage Fund. Vencap is Canada's largest publicly-owned venture capital company and is listed on the Alberta Stock Exchange. The company's investment focus is on companies whose business operations will significantly benefit Alberta's economic development and diversification.

In 1989-90, over $33 million of new investments and commitments were made in 19 separate companies, in fields such as parallel processing supercomputers, agricultural biotechnology, health care related products and services, precision tooling, a commercial television network, sportswear and other consumer products. At March 31, 1990, Vencap's venture investment portfolio totalled $82.5 million in 37 companies, 35 per cent of which were start-up or early stage ventures and 43 per cent technology ventures.

The return on the Heritage Fund's $200 million loan is in the form of a percentage participation in Vencap's pre-tax income and amounted to $5.6 million in 1989-90. The Heritage Fund has received $52 million in income on its investment since 1983.

Investment at March 31, 1990:
$200 million

Canada Investment Division

Through the Canada Investment Division, the Heritage Fund has invested in debentures issued by the governments of six other Canadian provinces or their agencies from 1977 to 1982. Loans were made at market rates ranging from 9.5 per cent to 16.4 per cent. Lending under the Canada Investment Division has been suspended since March 1982.

During 1989-90, interest on these loans made in previous years contributed $165 million toward the Fund's investment earnings. Scheduled principal repayments totalling $83 million were also received during 1989-90.

Investment at March 31, 1990:
$1,306 million

Commercial Investment Division

The objective of the Commercial Investment Division is to earn a commercial rate of return in keeping with the Heritage Fund's savings objective. The Division's emphasis on equity investments helps diversify the Fund's overall portfolio. The equity portfolio represents a broad range of Canadian industrial sectors and public companies. Investments are managed on a passive basis and are limited to no more than five per cent of the shares outstanding of any one company.

The Division was started in the 1981-82 fiscal year with an allocation of $200 million and since 1984-85 the portfolio has been allowed to increase by the amount of net investment income earned by the Division.

The Division contributed $18 million in dividends, interest and realized capital gains to the Heritage Fund's investment income in 1989-90. At year end, the market value of the portfolio exceeded its cost by over $200 million.

Investment (net) in 1989-90: $29 million
Investment at March 31, 1990:
$316 million

Cash and Marketable Securities

Funds which are not immediately required for investment in any of the five Investment Divisions are invested in high-quality debt securities and deposits. Holdings increased during the year from $2,841 million at March 31, 1989, to $3,162 million at March 31, 1990. This amount represents 26 per cent of the Fund's financial assets.

A portion of the fund is restricted to short-term instruments to ensure a high level of liquidity for the other investment decisions. Amounts in excess of this liquidity requirement are available for investment in marketable securities with maturities of up to five years in order to enhance returns.

At March 31, 1990, the portfolio consisted of $2,217 million in short-term money market securities, $863 million in medium-term and other marketable securities and $82 million in the province's Consolidated Cash Investment Trust Fund. Of this amount, $686 million was used as interim financing for deposits with lenders under the Alberta Farm Credit Stability Program to facilitate the provision of fixed rate financing to Alberta farmers and an additional $298 million was used to provide interim financing for the province's General Revenue Fund.

The realized rate of return on the Cash and Marketable Securities portfolio was 12.4 per cent for 1989-90, up from 10.3 per cent for the previous year, reflecting significantly higher short-term interest rates over the previous year.

The portfolio's average term to maturity was lengthened to 219 days at March 31, 1990, from 139 days a year earlier.

Cash and Marketable Securities contributed $306 million, or 25 per cent of the Fund's investment income in 1989-90.

Investment (net) in 1989-90: $321 million
Investment at March 31, 1990:
$3,162 million

Investment Transactions

Canada Investment Division

Summary of Investment Transactions For the Year Ended March 31, 1990
(millions of dollars)

	Cost March 31, 1989	Purchases	Amortization	Repayments and Redemptions	Cost March 31, 1990	Par Value March 31, 1990
Province of Manitoba	109.7	–	0.1	–	109.8	110.0
Province of New Brunswick	170.8	–	0.1	25.0	145.9	147.0
New Brunswick Electric Power Commission	133.9	–	0.2	50.0	84.1	85.0
	304.7	–	0.3	75.0	230.0	232.0
Province of Newfoundland	49.8	–	–	–	49.8	50.0
Newfoundland and Labrador Hydro	148.6	–	0.1	–	148.7	150.0
Newfoundland Municipal Financing Corporation	67.6	–	0.1	1.7	66.0	66.4
	266.0	–	0.2	1.7	264.5	266.4
Province of Nova Scotia	207.8	–	0.2	–	208.0	210.0
Nova Scotia Municipal Finance Corporation	38.9	–	–	4.6	34.3	34.5
Nova Scotia Power Corporation	99.1	–	0.1	–	99.2	100.0
	345.8	–	0.3	4.6	341.5	344.5
Province of Prince Edward Island	58.2	–	0.1	2.0	56.3	57.0
Hydro-Quebec	303.5	–	0.4	–	303.9	310.0
Total	1,387.9	–	1.4	83.3	1,306.0	1,319.9

Commercial Investment Division

Summary of Investment Transactions For the Year Ended March 31, 1990
(millions of dollars)

	Cost March 31, 1989	Purchases	Amortization (Write-down)	Disposals, Repayments and Redemptions	Cost March 31, 1990	Market Value March 31, 1990
Short-term money market securities	46.8	74.2	4.7	85.4	40.3	40.3
Common and preferred shares	239.9	50.0	(8.5)	5.6	275.8	479.1
Total	**286.7**	**124.2**	**(3.8)**	**91.0**	**316.1**	**519.4**

Alberta Investment Division

Summary of Investment Transactions For the Year Ended March 31, 1990
(millions of dollars)

	Cost March 31, 1989	Purchases	Amortization	Disposals, Repayments and Redemptions	Cost March 31, 1990
Investments in Provincial Corporations:					
Alberta Agricultural Development Corporation Debentures					
Investments	1,033.4	–	–	34.2	999.2
Alberta Government Telephones Commission Debentures					
Investments	1,098.8	–	0.1	100.0	998.9
Alberta Mortgage and Housing Corporation Debentures					
Investments at March 31, 1989	3,134.0		–	286.1	2,847.9
Investments made during 1989-90:					
10.11% Dec. 15, 2009		11.0			11.0
10.11% Dec. 15, 2014		12.0			12.0
10.72% Mar. 1, 2010		45.0			45.0
10.03% Jan. 2, 2015		5.0			5.0
11.21% Mar. 30, 2015		5.0			5.0
	3,134.0	78.0	–	286.1	2,925.9
Alberta Municipal Financing Corporation Debentures					
Investments	780.0	–	–	70.0	710.0

Summary of Investment Transactions For the Year Ended March 31, 1990
(millions of dollars)
(continued)

	Cost March 31, 1989	Purchases	Amortization	Disposals, Repayments and Redemptions	Cost March 31, 1990
Alberta Opportunity Company Debentures					
Investments at March 31, 1989	163.8		–	38.6	125.2
Investments made during 1989-90:					
10.22% Sept. 30, 1997		10.0			10.0
10.29% Dec. 15, 1997		5.0			5.0
10.40% Jan. 31, 1998		5.0			5.0
10.67% Mar. 30, 1998		11.5			11.5
	163.8	31.5	–	38.6	156.7
Total Provincial Corporations	6,210.0	109.5	0.1	528.9	5,790.7
Other Alberta Investment Division Investments:					
Province of Alberta (Small Business Term Assistance Fund) Promissory Notes	150.0	–	–	150.0	–
Millar Western Pulp Ltd. Participating debenture, July 31, 2004	120.0	–	–	–	120.0
NOVA Corporation of Alberta Ltd.					
Adjustable rate convertible subordinate debentures, February 15, 2008	150.0	–	–	–	150.0
Common shares	–	24.5	–	–	24.5
Ridley Grain Ltd. debenture 11.00% July 31, 2015	134.0	–	–	–	134.0
Alberta Energy Company Ltd. Common shares	117.3	42.0	–	–	159.3
Canadian Western Bank common shares	1.6	–	–	–	1.6
Participation in Lloydminster Bi-Provincial Upgrade Project	2.4	27.4	–	–	29.8
Participation in OSLO Project	–	4.0	–	–	4.0
Participation in Syncrude Project	512.0	181.2	–	174.4	518.8
Total	**7,397.3**	**388.6**	**0.1**	**853.3**	**6,932.7**

Deemed Assets

Capital Projects Division

Agriculture and Rural Development

Private Irrigation Water Supply

This program provides grant assistance to individual farmers and ranchers and legally constituted producer groups to defray up to 50 per cent of the capital costs associated with the diversion and conveyance of water from a natural water supply to their own land for irrigation purposes. This irrigation program was offered to those falling outside of the areas serviced by the 13 irrigation districts.

During its first year of implementation, this program was instrumental in the development of 17 projects covering 669 hectares (1,650 acres).

Investment in 1989-90: $0.2 million
Investment at March 31, 1990: $0.2 million

Farming For The Future

The purpose of the Farming For The Future program is to provide financial support to agricultural research and demonstration projects that have the potential to improve net farm income in Alberta and to enhance the long-term viability of the province's agrifood industry. Since its implementation in 1979, the program has funded more than 1,250 projects. Research and demonstration projects cover land and water resources, crop production, livestock production, agricultural processing and agricultural economics and marketing. In 1989-90, 100 research projects and 144 demonstrations were conducted.

Investment in 1989-90: $5 million
Investment at March 31, 1990: $53 million

By funding research like this canola-quality testing project, Farming For The Future is looking ahead to the 1990's to promote long-term sustainable growth in the province's agricultural sector.

Irrigation Rehabilitation and Expansion

The efficient and effective management of Alberta's water resources is advanced through the combined efforts of this project and the Irrigation Headworks and Main Irrigation Systems Improvement project. Assistance is provided to 13 Irrigation Districts to plan, rehabilitate and expand Alberta's irrigation distribution network.

During 1989-90, 23 kilometres of canal were lined, 56 kilometres of pipelines and 145 kilometres of subsurface drains were installed, and 48 kilometres of earth canals were rehabilitated. In 1989-90, a total of 479,367 hectares (1,182,119 acres) of irrigated lands were serviced by the Irrigation Districts.

Investment in 1989-90: $25 million
Investment at March 31, 1990: $287 million

Individual Line Service

Approximately 30,000 rural telephone party subscribers were converted to individual line service in 1989-90. This brings the total to about 65 per cent of the 100,000 party line subscribers in the province. Direct assistance to Alberta Government Telephones and ED TEL, and rebates to individual subscribers, are helping to realize the long-term goal to convert all of the party lines in the province to individual line service by 1991-92. This will provide all Albertans with the highest quality of telecommunications services.

Investment in 1989-90: $46 million
Investment at March 31, 1990: $151 million

Rail Hopper Cars

As part of its ongoing commitment to our vital agricultural sector, the government acquired 1,000 hopper cars in 1980-82 to help increase the grain-carrying capacity of the railway system. In the 1988-89 crop year (August 1 to July 31), 10,577 carloads of grain were moved in the Heritage Fund hopper cars. The Alberta cars made up approximately 3.5 per cent of the railway grain fleet, and moved 890,000 tonnes of grain representing 4.5 per cent of the total grain movements to export terminals.

Owing to the drought in western Canada, the Alberta cars were used in non-grain service for a portion of the year, generating revenue to the province of $831,000 paid by the railways.

Investment at March 31, 1990: $54 million

Grazing Reserves Development

In support of the agricultural economy in the province's grey-wooded soil areas, this project developed an additional 12 public grazing reserves and the Cooking Lake-Blackfoot Grazing, Wildlife and Provincial Recreational Area. These reserves promote the diversification of the agricultural economy by enabling farmers to graze their stock on public land while using privately-owned land for cereal crop production. All development work was carried out by private contractors and involved the clearing of brush land and the establishment of tame forages. The Grazing Reserves Development program began in 1977 and concluded in 1987-88.

Investment at March 31, 1990: $39 million

Renewable Energy Research

With increasing public concern over environmental matters, the government established an Advisory Board early in 1988 to review renewable energy alternatives. The Board consulted with researchers and companies in alternative energy sectors, the local community, utilities and engineering firms. A review of the alternative energy sectors led to the conclusion that a long-term technology field demonstration and development program would assist commercial development of the industry. The government subsequently established a project to promote the development and application of renewable energy, particularly solar and wind, as well as energy conservation measures in the southwest region of Alberta. The project's aim is to create a centre of renewable energy expertise that will enhance local economic opportunities. This project provides funding assistance for development and demonstration projects. In 1989-90, $77,000 was expended to conduct a feasibility study for a 10 megawatt wind farm.

Investment in 1989-90: $77,000
Investment at March 31, 1990: $77,000

Research and Technology

Applied Cancer Research

Through its support to both clinical and applied research, this grant program is helping to make Alberta a centre of excellence in cancer research. The projects funded through the program provide benefits which extend far beyond the laboratory and clinical trials to bedside patient care and are an integral part of the prevention, diagnosis and treatment of cancer. Investigators at the Cross Cancer Institute are working to pinpoint new genetic markers allowing the identification of those women with node-negative breast cancer who have a high risk of early relapse. Research in Calgary has identified three monoclonal antibodies which inhibit the spread of tumours. These are among the 34 projects funded in 1989-90.

Investment in 1989-90: $3 million
Investment at March 31, 1990:
$41 million

Alberta Oil Sands Technology and Research Authority (AOSTRA)

In support of the province's energy sector, the Authority promotes research and development into enhancement of technological methods for the economic recovery and processing of crude bitumen and other oil sands products. Since the Authority's establishment, development of environmentally sensitive technology has emerged as an integral part of its role. The Authority's involvement in technology development ranges from fundamental, academic and institutional research to the support of large-scale field pilots and demonstration units in cooperation with industry and both federal and provincial government bodies.

Investment in 1989-90: $5 million
Investment at March 31, 1990:
$419 million

Applied Heart Disease Research

Funding was provided over a six-year period ending March 31, 1982, to assist in the development of cardiac care programs. Proven projects such as the pediatric cardiology program at the University of Alberta Hospital and the cardiac rehabilitation programs at the Calgary General Hospital and Royal Alexandra Hospitals in Edmonton continue to be funded through the government's General Revenue Fund.

Investment at March 31, 1990:
$29 million

Alberta Heritage Foundation for Medical Research

The Alberta Heritage Foundation for Medical Research was established in 1979 to encourage medical research in Alberta. Originally supported by a $300 million endowment fund, the Foundation devotes millions of dollars annually from investment earnings to an exceptional awards and grants program that has established a critical mass of career scientists in Alberta.

Currently, researchers are exploring new therapy for the treatment of diabetes, including islet cell transplantation. This is but one example of the multitude of research projects that are moving Alberta to the forefront of modern medical research. In addition, the Foundation funds an aggressive technology transfer program which is beginning to see the work of Alberta's fast growing medical research community translated into successful commercial ventures.

Investment at March 31, 1990:
$300 million

Alberta Oil Sands Technology and Research Authority continues to develop new technologies such as this computerized Air Quality Prediction System which was developed to predict, up to eight hours in advance, the possibility of air pollution from stack emissions exceeding the provincial air quality standard.

Occupational Health and Safety Research and Education

Workplace health and safety issues are addressed through education, research and conference projects. A first in Canada, a literacy program is using animation to explain workplace hazards to workers with language and reading difficulties. Better methods are being developed to measure the protection offered by fire resistant clothing, and to assist industry in selecting the best clothing for their workers. Industry has received support to develop standards for safe and environmentally sound herbicide use and vegetation clearing methods. Teenagers are receiving work and recreation safety messages through the HEROES program. The town of Hanna is making its community safer for workers and their families by becoming the second Safe Community in Alberta. Grants have enabled high hazard industries like forestry to develop innovative training materials to promote safe work practices for their workers. 186 grants had been awarded by the end of 1989-90.

Investment in 1989-90: $1 million
Investment at March 31, 1990: $9 million

Clinical Research Building

This facility, which is located on the grounds of the University of Alberta, is linked to the Heritage Medical Research facility and consists of five bays of laboratory modules.

The Clinical Research Building provides basic research space for various medical fields including cardiology, immunology, pathology, dermatology, neuro-surgery, cytogenetics, obstetrics, hematology, rheumatology, bio-medical design, plastic surgery and neurology.

Investment in 1989-90: $4 million
Investment at March 31, 1990: $18 million

The HEROES program, funded by Occupational Health and Safety Research and Education, is a travelling multi-image media presentation utilizing real-life heroes, upbeat music and a slide show targeted towards teenagers to heighten injury awareness and prevention in everyday life.

Economic Diversification

Microchip Design and Fabrication Facilities

The Alberta Microelectronic Centre helps companies understand and use microelectronic technology in their businesses. Services include feasibility studies, consulting, electronic product development and microchip design and fabrication. Last year the Centre handled over 900 industrial consultations. The Centre's Edmonton Fabrication Facility specializes in the manufacture of Application Specific Integrated Circuits (ASICs). This facility is complemented by the Centre's Design and Engineering facility in Calgary.

The Alberta Microelectronic Centre completed six new ASIC microchips for a wide range of applications including a downhole well instrument, a font cartridge for a laser printer, a telecommunications device and a power controller. The Centre is also an integral part of Alberta's advanced technology infrastructure developed with the support of universities, industry and government to provide a technological edge for Alberta industry.

Investment at March 31, 1990:
$8 million

Airport Terminal Buildings

During the period 1979-80 through 1983-84, the Heritage Fund provided funding to construct or upgrade airport terminals in 18 communities around the province. These terminals helped improve accessibility to these centres and they continue to play an important role in serving the economic and other needs of these communities.

Investment at March 31, 1990:
$16 million

Food Processing Development Centre

The Leduc Centre is a fully-equipped pilot plant production and product development facility designed to strengthen and expand the capability of Alberta's food processors to meet the opportunities of domestic and global markets for value-added food products. Processors can, through application of new technology, develop new or improved products or processes.

Product development laboratories in the Centre contain advanced equipment and facilities for product formulation, prototype design, testing, packaging, test kitchen demonstration and taste panel evaluation. Pilot plant equipment can simulate industrial production in order to assess product or process performance.

Technical information and in-plant assistance services are available to assist Alberta processors in staying at the leading edge of world food processing technology and trends.

Investment at March 31, 1990:
$9 million

Electronics Test Centre

The Alberta Research Council's Electronics Test Centre is the only facility in western Canada providing testing and certification for electronic products, as well as product evaluation and technical support for manufacturers. The Centre tests and evaluates products used in telecommunications, medical electronics, data processing, office automation, process instrumentation, and recently, avionics. It provides testing and engineering services accredited by national and international agencies and also offers consulting services in the area of quality assurance and product integrity. This world-class facility, which opened in 1985 and became fully operational in 1986-87, is a key component of the province's network of research and applied science centres and is instrumental in keeping Alberta's electronics industry at the forefront of technology.

Investment at March 31, 1990:
$6 million

Environment

Paddle River Basin Development

The control of damage caused by the flooding of the Paddle River and the provision of an assured water supply for the area are vital and integral components of Alberta's water management program. These needs were met through the completion of this project in 1986-87 whereby a dam 30 metres (98 feet) high was constructed on the river's upper reaches. Related works include dykes, flood-free road systems and channel improvements in the flood plain area. The resulting reservoir will help foster the future development of recreational facilities.

Investment at March 31, 1990:
$42 million

Land Reclamation

The principal objective of this project is to reclaim land not governed at the time of disturbance by the Land Surface Conservation and Reclamation Act. These surface disturbances are the result of man-made activities. Work under this project has focused primarily on restoring abandoned garbage dumps, sewage lagoons, gravel pits and mine sites throughout Alberta. Since the project's inception, 1,227 sites have been or are in the process of being reclaimed. Most municipalities throughout the province have participated in the project, with a number having utilized the program for more than one project. As well, funds continue to be committed in support of research projects concerned with improving land reclamation methods.

Investment in 1989-90: $2 million
Investment at March 31, 1990:
$35 million

Irrigation Headworks and Main Irrigation Systems Improvement

As an integral part of the province's broad water management policy, this program supports the rehabilitation, upgrading or replacement of existing irrigation headworks and delivery systems and the development of new water storage and delivery systems.

In 1989-90, construction work continued on the Eastern Irrigation District main canal, the United District headworks and the Western Irrigation headworks rehabilitation programs. The construction of the West Arrowwood Syphon on the Carseland-Bow headworks system was initiated. Construction work continued on the St. Mary River Irrigation District main canal, where approximately 94 per cent of its total length of 283 kilometres has been completed. The Lethbridge Northern Irrigation District headworks rehabilitation and the Forty Mile Coulee Reservoir projects were completed in 1987-88. These projects, along with others previously completed under the program, will provide an assured water supply for irrigation and for a wide range of multi-purpose uses such as domestic water supplies for area residents, municipal and industrial water needs, water-based recreation facilities and wildlife enhancement.

Investment in 1989-90: $37 million
Investment at March 31, 1990: $434 million

Lesser Slave Lake Outlet

The perennial problem of flooding in the communities and agricultural lands surrounding Lesser Slave Lake was alleviated in 1983-84 through completion of construction of a weir and outlet channels to help stabilize lake levels.

Investment at March 31, 1990: $3 million

Maintaining Our Forests

In support of the province's environment and the many users of the forest resource base, this project assisted with the re-establishment and improvement of coniferous forests damaged by fire and industrial expansion. The program concluded in 1986-87. Over its eight year history, approximately 45,000 hectares (111,000 acres) were planted with seedlings. In addition, a tree improvement program was initiated in co-operation with the forest industry, under which genetically superior trees were selected and grown to provide seed for reforestation programs.

Investment at March 31, 1990: $25 million

Alberta Reforestation Nursery

This project was undertaken to provide a secure source of high quality seed and seedlings for both government and industry reforestation activities, and to provide facilities for the provincial tree improvement program. The Pine Ridge Forest Nursery has shipped approximately 225 million seedlings, or an average of 19 million per year. The Nursery became fully operational in 1980-81. Capital funding for the design and construction was completed in 1984-85.

Investment at March 31, 1990: $15 million

Quality of Life

Recreation

Kananaskis Country Recreation Development

The Heritage Fund investment in Kananaskis Country has provided a major legacy of recreational facilities and amenities to be enjoyed by Albertans and visitors.

Facilities enjoyed by millions of visitors during the year include over 3,000 automobile accessible campsites in 30 campgrounds, including the Mount Kidd Recreational Vehicle Park, 17 backcountry and primitive campgrounds, 13 group camps, 75 picnic areas throughout Kananaskis Country and six amphitheatres in the major campgrounds.

There are now over 1,500 kilometres of a variety of trails for hiking, cross-country skiing, horseback riding, snowmobiling, biking, mountain biking, trail biking and four-wheel driving.

There are also 10 put-and-take fishing ponds, one of which, Mount Lorette Ponds, is wheelchair accessible, with paved pathways, accessible bridges and picnic sites.

The Kananaskis Country Golf Course, built by the Heritage Fund and operated by a private sector company, is popular with both golfers and non-golfers alike. Since the course opened in 1983, over 400,000 rounds of golf have been played.

William Watson Lodge, a special facility in Peter Lougheed Provincial Park designed for disabled people and senior citizens of Alberta, has proven to be extremely popular.

Investment at March 31, 1990: $225 million

Municipal Recreation/Tourism Areas

Since 1986-87, the Municipal Recreation/Tourism Areas program has provided capital grants to rural communities for the development, upgrading and operation of outdoor recreation facilities. With the assistance of this program, rural communities have been able to improve local recreation opportunities and increase tourism.

A key factor in the success of the program has been the degree of community enthusiasm and initiative to develop local recreation and tourist attractions. Communities represented by organizations such as local service groups and civic officials, choose the site and develop the plans. Once the initial site has been agreed upon, Recreation and Parks' consultants are available to assist communities with planning and conceptual design of the area.

In 1989-90, 51 new sites received development funding and 25 additional sites were completed.

Investment in 1989-90: $3 million
Investment at March 31, 1990: $11 million

This recreation area at Rycroft, Alberta was developed with funding from the Municipal Recreation/Tourism Areas program which provides funding to volunteer groups to enhance recreational opportunities and promote tourism within rural Alberta.

Fish Creek Provincial Park

Fish Creek Provincial Park, one of the first urban provincial parks in Canada, was completed in 1986-87. This 1,330 hectare (3,200 acre) park, located in south Calgary, includes facilities such as a visitor centre offering interpretive programs, an environmental education centre, the Sikome Lake recreation area which includes a 3.6 hectare (nine acre) swimming and skating lake, an equestrian centre, and a number of amphitheatres, picnic areas and historical sites.

Investment at March 31, 1990:
$44 million

Capital City Recreation Park

This unique 1,200 hectare (3,000 acre) park, located in Edmonton and the neighbouring County of Strathcona, joins 14 regional parks by cross-river bridges and 55 kilometres of bicycle and hiking paths. It provides a broad range of leisure opportunities such as a family recreation centre, picnic and nature areas, fountains and a fish pond, as well as the Riverside and Rundle golf courses. Although outside of city limits, the Strathcona Science Park is considered part of Capital City Recreation Park and is included in the total area identified. Only the acquisition of land and rights of way to connect trail systems and to consolidate the park remain to complete the project.

Investment in 1989-90: $0.8 million
Investment at March 31, 1990:
$44 million

Urban Parks

Phase I of the Urban Parks program was announced in 1979. It provided capital funds until 1987 to five cities to buy land and to plan and develop urban park systems. As well as enhancing the outdoor recreational opportunities available to residents of these cities, these park systems help preserve the local natural environment. Parks in Lloydminster, Medicine Hat, Lethbridge, Red Deer and Grande Prairie will continue to be enjoyed by Albertans for many years to come.

Phase II was announced in 1989. It will provide capital funds over 10 years to 11 municipalities for land purchases and planning and development of urban park systems. The cities of Airdrie, Calgary, Camrose, Edmonton, Fort McMurray, Fort Saskatchewan, Leduc, Spruce Grove, St. Albert, and Wetaskiwin and the County of Strathcona will receive funding.

Investment in 1989-90: $0.9 million
Investment at March 31, 1990:
$88 million

Health Care

Walter C. Mackenzie Health Sciences Centre

Located at the University of Alberta in Edmonton to service northern Alberta and the Northwest Territories, this ultra-modern health sciences centre integrates health care, teaching and research. Within the 170,000 square metre complex, are 843 acute care beds, 14 operating theatres and seven intensive care units. The facility is able to support such leading edge programs as heart/lung transplants. For outpatients requiring same day surgery or treatments, the Centre provides a 40-bed day ward, four operating rooms and an eight-bed recovery room. Approximately 6,000 professional, technical and research staff are employed at the Centre. While offering state-of-the-art technology and services, the Centre, through its unique architectural design, also provides an environment conducive to the emotional well-being of patients, visitors and staff.

Investment in 1989-90: $2 million
Investment at March 31, 1990:
$391 million

Tom Baker Cancer Centre and Special Services Facility

Both facilities are located on the Foothills Medical Centre site in Calgary. The facilities were opened for patient care in the fall of 1981 and were completed in 1984. As an outpatient unit, the Tom Baker Centre provides diagnostic, chemotherapy, radiation therapy and psychosocial support services to cancer patients and their families. The technology, equipment and treatment available at the Centre provide advanced, quality care for southern Alberta.

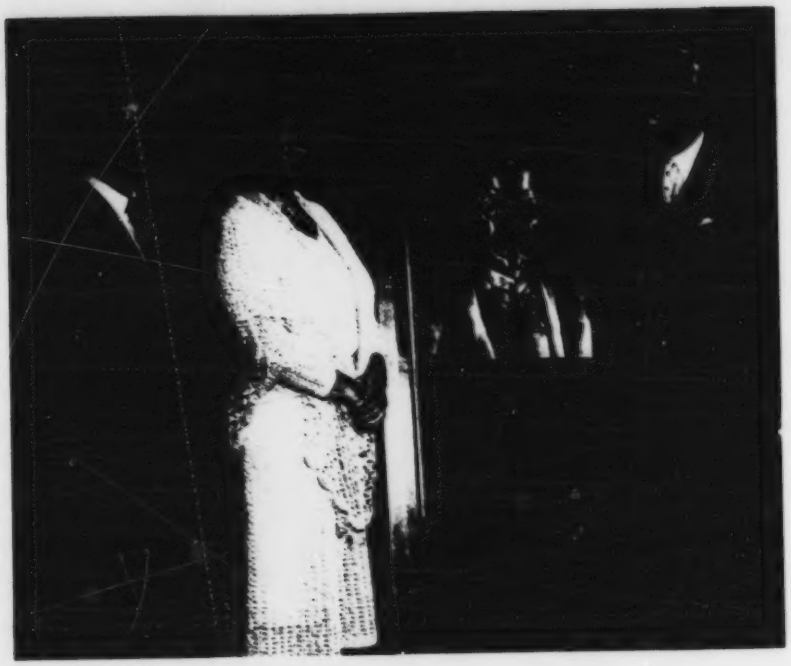
The Special Services Facility houses the southern office of the Provincial Laboratory of Public Health, a hostel unit and day service unit, an auxiliary hospital and other services. Staff and services are also shared with other departments within the Foothills Medical Centre.

Investment at March 31, 1990:
$93 million

Alberta Children's Provincial General Hospital

Located in Calgary and completed in 1984, this children's health centre focuses on the total health of its young patients. Based on the belief that children require special care to achieve their maximum potential, both basic and complex medical and surgical services are provided to inpatients. As well, outpatient services make up an integral part in achieving specialized quality care. These are provided through over 30 specialty clinics, a school for physically/developmentally disabled children and the Mobile Team Project, a program unique in North America that takes teams of therapists out of the hospital and into the community.

Investment at March 31, 1990:
$40 million



The Alberta Heritage Scholarship Fund rewards and encourages those people who have attained exceptionally high standings in the arts, sciences and humanities, in their careers, recreational and athletic activities, as well as in education.

Education

Alberta Heritage Scholarship Fund

Since inception in 1981-82, earnings from the endowment have provided an annual budget of approximately $10 million to support a comprehensive range of 13 scholarship and award programs. Most are used to further individual study at the post-secondary level. Awards are also available to student athletes, recreational leaders, members of the labour force, and distinguished individuals in the arts, sciences and the humanities. The Alberta Heritage Scholarship Fund has, to date, awarded over $78 million to more than 55,000 Albertans who have benefited from the assistance and who will help to make Alberta a better place to live in the future.

Investment at March 31, 1990:
$100 million

Heritage Learning Resources

The Alberta Heritage Learning Resources Project, which was launched during Alberta's 75th Anniversary year, was the largest educational publishing project ever undertaken by the provincial government. It provided an impetus for the publishing industry by drawing upon the creative and organizational talents of many individuals.

The $9 million project involved the development and publication of six sets of materials for use in Alberta schools, all of which emphasized the history, geography and the social and natural environment of Canada, particularly western Canada. These life enriching resources have been very well received and are available in schools, nursing homes and libraries throughout Alberta.

Investment at March 31, 1990:
$9 million

Library Development

This four-year project supported the significant upgrading and expansion of library collections in all 15 Alberta public colleges and universities. By the time the project was completed in 1982-83, more than 600,000 volumes of library books, periodicals and non-print resources had been acquired.

Investment at March 31, 1990:
$9 million

Financial Summary

Alberta Heritage Savings Trust Fund

A Ten Year Review: 1980-81 to 1989-90

(millions of dollars)	1989-90	1988-89	1987-88	1986-87
Transfer of Non-Renewable Resource Revenue to the Heritage Fund	0	0	0	216
Net Income Earned on the Fund's Investments	1,244	1,252	1,353	1,445
Subtract				
Income Transferred to Budgetary Revenues	1,244	1,252	1,353	1,445
Expenditures on Non-Income Earning Capital Projects Division Projects (Deemed Assets)	134	155	129	227
New Funds Available to the Heritage Fund for Income Earning Investments	(134)	(155)	(129)	(11)
Increase (Decrease) on Payables	9	5	(54)	40
Add				
Financial Assets of the Heritage Fund at the Beginning of the Year	12,412	12,562	12,745	12,716
Financial Assets of the Heritage Fund at the End of the Year	12,287	12,412	12,562	12,745
Consisting of				
Alberta Investment Division	6,933	7,397	7,520	7,847
Capital Projects Division[b]	200	200	200	200
Energy Investment Division	–	–	1	9
Canada Investment Division	1,306	1,388	1,470	1,857
Commercial Investment Division	316	287	263	233
Cash and Marketable Securities and Other Assets	3,532	3,140	3,108	2,599
Financial Assets	12,287	12,412	12,562	12,745
Rate of Return on Amortized Cost (%)	11.4	11.1	11.4	12.0

[a] Net investment income before deducting administrative expenses. Pursuant to an amendment to the Heritage Fund Act, effective April 1, 1984, the transfer was changed to net income after deducting administrative expenses.

[b] Investment in Vencap Equities Alberta Ltd.

1985-86	1984-85	1983-84	1982-83	1981-82	1980-81
685	737	719	1,370	1,434	1,444
1,667	1,575	1,467	1,482	1,007	724
1,667	1,575	1,469[a]	866[a]	–	–
240	228	330	296	349	227
445	509	387	1,690	2,092	1,941
(3)	(11)	(8)	7	(10)	(9)
12,274	11,776	11,397	9,700	7,618	5,686
12,716	12,274	11,776	11,397	9,700	7,618
8,177	8,151	8,079	8,158	6,335	4,524
200	200	200	–	–	–
16	24	25	25	25	25
1,864	1,870	1,896	1,903	1,909	1,492
217	201	199	199	189	–
2,242	1,828	1,377	1,112	1,242	1,577
12,716	12,274	11,776	11,397	9,700	7,618
14.3	13.7	13.4	13.9	[b]12.6	10.8

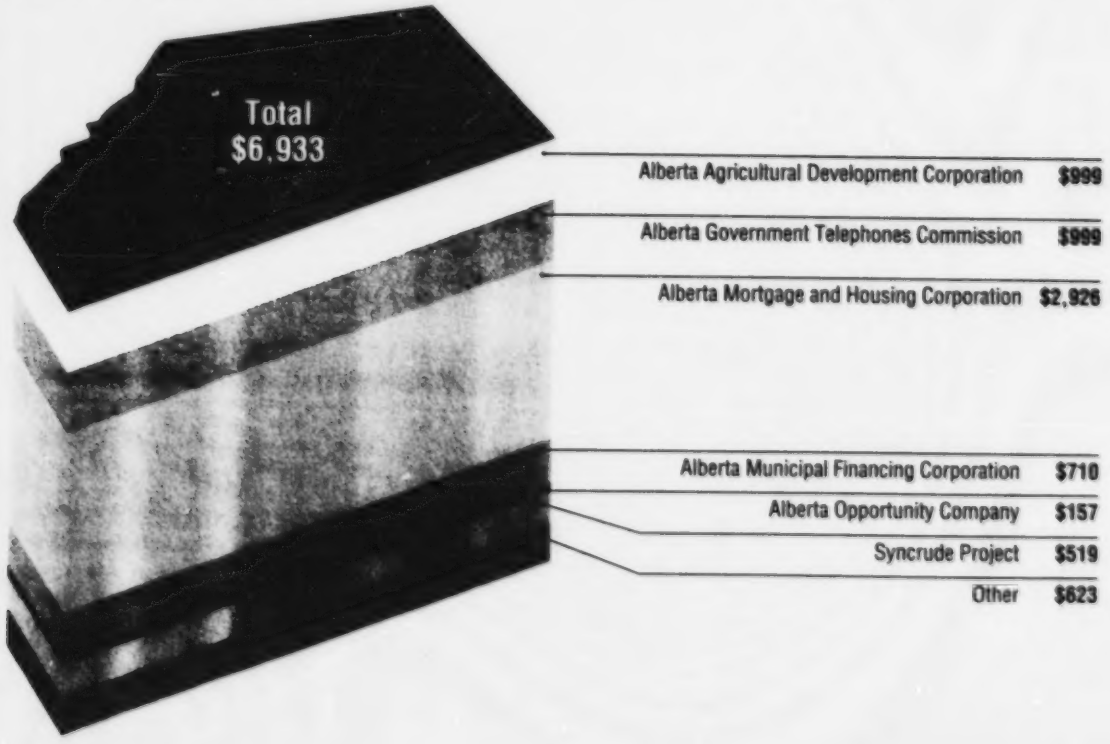
Composition of Financial Assets

As at March 31, 1990 (millions of dollars)

Alberta Investment Division $6,933
Canada Investment Division $1,306
Commercial Investment Division $316
Cash and Marketable Securities $3,162
Capital Projects Division $200
Accrued Interest and Accounts Receivable $370

Composition of Alberta Investment Division Assets

As at March 31, 1990 (millions of dollars)



Alberta Heritage Savings Trust Fund

Financial Statements

March 31, 1990

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Auditor's Report

To the Provincial Treasurer

I have examined the balance sheet of the Alberta Heritage Savings Trust Fund as at March 31, 1990 and the statements of income, retained earnings, transfers, amounts expended and fund equity, changes in financial position and Capital Projects Division amounts expended for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

The practice of including deemed assets and deemed equity represented by deemed assets on the balance sheet is not appropriate nor is the presentation in accordance with generally accepted accounting principles. Deemed assets represent amounts expended which are not recoverable by the Fund and where assets do exist, they belong to other organizations. Although it has been interpreted by management that the Alberta Heritage Savings Trust Fund Act requires the disclosure of deemed assets on the balance sheet, the financial position of the Fund would be better understood if the deemed assets and deemed equity represented by deemed assets which both amount to $3,047,073,000 were not included.

In my opinion, except that the inclusion of deemed assets and deemed equity represented by deemed assets on the balance sheet is not appropriate as explained in the preceding paragraph, these financial statements present fairly the financial position of the Fund as at March 31, 1990 and the results of its operations, the changes in its financial position and the amounts expended within the Capital Projects Division for the year then ended, in accordance with the disclosed basis of accounting, as described in Note 2 to the financial statements, applied on a basis consistent with that of the preceding year.

Donald D. Salmon

FCA
Auditor General

Edmonton, Alberta
August 9, 1990

Alberta Heritage Savings Trust Fund

Balance Sheet

March 31, 1990
(thousands of dollars)

		1990	1989
Assets	Cash and marketable securities, Schedule 1	$ 3,161,613	$ 2,840,754
	Accrued interest and accounts receivable	332,191	296,819
	Due from the General Revenue Fund	37,929	2,297
	Canada Investment Division investments, Schedule 2	1,306,052	1,387,914
	Alberta Investment Division investments, Schedule 3	6,932,662	7,397,310
	Commercial Investment Division investments, Schedule 4	316,133	286,671
	Capital Projects Division investments, Schedule 5	199,994	199,995
		$12,286,574	$12,411,760
Deemed Assets	Capital Projects Division investments, Schedule 6	$ 3,047,073	$ 2,913,373
Liabilities and Fund Equity	**Liabilities:**		
	Accounts payable	$ 22,075	$ 13,561
	Fund equity	12,264,499	12,398,199
		$12,286,574	$12,411,760
Deemed Equity Represented by Deemed Assets		$ 3,047,073	$ 2,913,373

The accompanying notes are part of these financial statements.

Alberta Heritage Savings Trust Fund

Statement of Income, Retained Earnings, Transfers, Amounts Expended and Fund Equity

For the Year Ended March 31, 1990
(thousand of dollars)

		1990	1989
Income and Retained Earnings	Investment income before the undernoted	$ 1,248,642	$ 1,241,000
	Net gain on disposals of investments	5,144	12,166
	Write-down of investments	(8,460)	–
	Net investment income (Note 4)	1,245,326	1,253,166
	Administrative expenses (Note 5)	888	947
	Net income	1,244,438	1,252,219
	Transfers to the General Revenue Fund (Note 6)	1,244,438	1,252,219
	Net increase in retained earnings	–	–
	Retained earnings at beginning and end of year	3,262,247	3,262,247
Transfers from the General Revenue Fund	Cumulative non-renewable resource revenue transfers at beginning and end of year (Note 7)	12,049,325	12,049,325
Amounts expended under the Capital Projects Division	Amounts expended during the year	(133,700)	(155,010)
	Cumulative amounts expended at beginning of year	(2,913,373)	(2,758,363)
	Cumulative amounts expended at end of year	(3,047,073)	(2,913,373)
Fund equity at end of year		$12,264,499	$12,398,199

Alberta Heritage Savings Trust Fund

Statement of Changes in Financial Position

For the Year Ended March 31, 1990
(thousands of dollars)

		1990	1989
Operating transactions	Net income	$ 1,244,438	$ 1,252,219
	Non-cash items included in net income	(3,019)	(17,855)
	Decrease (increase) in receivables	(71,004)	11,091
	Increase in payables	8,514	4,917
	Cash provided by operating transactions	1,178,929	1,250,372
Investing transactions	Proceeds from disposals, repayments and redemptions of investments:		
	Canada Investment Division	83,300	83,300
	Alberta Investment Division	853,380	603,800
	Energy Investment Division	—	1,250
	Commercial Investment Division	96,185	128,992
	Capital Projects Division	1	1
	Investments:		
	Alberta Investment Division	(388,559)	(482,583)
	Commercial Investment Division	(124,239)	(134,908)
	Cash provided by investing transactions	520,068	199,852
Transfers and amounts expended	Transfers to the General Revenue Fund	(1,244,438)	(1,252,219)
	Capital Projects Division amounts expended	(133,700)	(155,010)
	Cash applied to transfers and amounts expended	(1,378,138)	(1,407,229)
Increase in cash and marketable securities		320,859	42,995
Cash and marketable securities at beginning of year		2,840,754	2,797,759
Cash and marketable securities at end of year		$ 3,161,613	$ 2,840,754

Alberta Heritage Savings Trust Fund

Capital Projects Division
Statement of Amounts Expended

For the Year Ended March 31, 1990
(thousands of dollars)

Department/Project	Amounts Authorized	Amounts Expended	Unexpended
Advanced Education			
Clinical Research Building	$ 3,532	$ 3,532	$ –
Agriculture			
Farming For The Future	5,000	4,770	230
Irrigation Rehabilitation and Expansion	25,000	24,896	104
Private Irrigation Water Supply	1,800	192	1,608
Energy			
Alberta Oil Sands Technology and Research Authority	5,151	5,151	–
Renewable Energy Research	500	77	423
Environment			
Irrigation Headworks and Main Irrigation Systems Improvement	39,837	37,262	2,575
Land Reclamation	2,480	2,408	72
Executive Council			
Occupational Health and Safety Research and Education	1,380	1,318	62
Health			
Applied Cancer Research	2,800	2,690	110
Public Works, Supply and Services			
Capital City Recreation Park	800	781	19
Walter C. Mackenzie Health Sciences Centre	1,600	1,600	–
Recreation and Parks			
Municipal Recreation/Tourism Areas	4,000	3,340	660
Urban Park Development	1,000	925	75
Technology, Research and Telecommunications			
Individual Line Service	46,358	45,997	361
	$141,238	134,939	$ 6,299
Recovery of amounts expended in previous years:			
Fish Creek Provincial Park (Land)		(1,130)	
Irrigation Headworks and Main Irrigation Systems Improvement		(77)	
Occupational Health and Safety Research and Education		(26)	
Irrigation Rehabilitation and Expansion		(5)	
Kananaskis Country Recreation Development		(1)	
		$133,700	

Notes to the Financial Statements

March 31, 1990

Note 1 Authority

The Alberta Heritage Savings Trust Fund operates under the authority of the Alberta Heritage Savings Trust Fund Act, Chapter A-27, Revised Statutes of Alberta 1980, as amended.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(i) These financial statements have been prepared in accordance with generally accepted accounting principles, except as follows:

(a) The investment in Alberta Energy Company Ltd., which represents 35% of the total number of issued and outstanding voting shares of the company, included in the Alberta Investment Division is valued at cost. Income is recognized only to the extent that dividends are received or receivable. The book value of the investment is not adjusted for the Fund's pro rata share of retained earnings of the company.

(b) Capital Projects Division investments represent the aggregate net amount expended from November 4, 1976 to March 31, 1990 under the authority of "Appropriation Acts" passed pursuant to section 6 (2) (a) of the Alberta Heritage Savings Trust Fund Act. These investments are deemed to be assets of the Trust Fund with a value equal to the net amounts expended pursuant to section 6 (8) (a) of the Alberta Heritage Savings Trust Fund Act (see Note 3). Amounts expended to acquire financial assets are shown separately as assets of the Fund. Amounts expended, not recoverable by the Fund, are included in the determination of Fund equity and are shown as deemed assets on the balance sheet.

(ii) Other significant accounting policies are as follows:

(a) Securities included in the Canada Investment Division, the Alberta Investment Division and the Commercial Investment Division are valued at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the securities.

(b) The participation in joint ventures, included in the Alberta Investment Division, is accounted for on the equity basis.

(c) Bonds, bond coupons and residuals, mortgages, and mid-term money market securities included in marketable securities are valued at cost or market value, whichever is lower, on an aggregate basis. Short-term money market securities are valued at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the securities.

(d) The cost of disposals is determined on the average cost basis. Gains and losses arising as a result of disposals and any change in the provision to adjust the cost of marketable securities to the lower of cost or market value, on an aggregate basis, are included in the determination of net investment income.

(e) Investment income is recorded on the accrual basis where there is reasonable assurance as to its measurement and collectability.

(f) Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

(g) Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. Exchange differences on unhedged transactions are included in the determination of investment income.

Note 3 Compliance Information

The Investment Divisions shown on the balance sheet were established pursuant to section 6 of the Alberta Heritage Savings Trust Fund Act. Investments made under each of the Capital Projects Division and the Canada Investment Division are limited to 25% and 20% of the assets of the Trust Fund respectively. For the purpose of determining the assets of the Trust Fund to which these percentage limitations apply, the Act provides that investments in the Capital Projects Division shall be deemed to be assets of the Trust Fund with a value equal to the net amounts expended, while all other assets of the Trust Fund shall be valued at book value. Compliance information with respect to these statutory limits is provided in the table below.

	1990	% of Assets	1989	% of Assets
Capital Projects Division investments:				
Schedule 5	$ 199,994,000		$ 199,995,000	
Schedule 6	3,047,073,000		2,913,373,000	
	3,247,067,000	21	3,113,368,000	20
Canada Investment Division investments:				
Schedule 2	1,306,052,000	9	1,387,914,000	9
Other assets	10,758,453,000	70	10,810,290,000	71
	$15,311,572,000	100	$15,311,572,000	100

Note 4 Segmented Information

Segmented information on net investment income is as follows:

	1990	1989
Cash and marketable securities (a)	$ 306,009,000	$ 271,620,000
Canada Investment Division investments	165,003,000	172,639,000
Alberta Investment Division investments (b)	751,049,000	762,950,000
Energy Investment Division investments	—	29,000
Commercial Investment Division investments	17,674,000	35,064,000
Capital Projects Division investments	5,591,000	10,864,000
	$1,245,326,000	$1,253,166,000

(a) Includes $134,583,000 (1989 $65,010,000) income from investments in Province of Alberta funds and agencies.

(b) Includes $705,068,000 (1989 $740,103,000) income from investments in Province of Alberta funds and agencies.

Note 5 Administrative Expenses

	1990	1989
Expenses paid directly from the Fund pursuant to section 11 (1) of the Alberta Heritage Savings Trust Fund Act	$116,000	$130,000
Other administrative expenses estimated and charged to the Fund pursuant to section 11 (2) of the Alberta Heritage Savings Trust Fund Act	772,000	817,000
	$888,000	$947,000

Administrative expenses for the year ended March 31, 1990 relating to investments in joint ventures estimated at $761,000 (1989 $566,000) are not included in other administrative expenses but are reflected in results of operations of the projects for the year.

Note 6 Transfers to the General Revenue Fund

All of the net income of the Fund has been transferred to the General Revenue Fund pursuant to section 4 (2) of the Alberta Heritage Savings Trust Fund Act.

Note 7 Non-renewable Resource Revenue Transfer

None of the non-renewable resource revenue received by the Province was transferred to the Alberta Heritage Savings Trust Fund during the 1989-90 fiscal year (1989 $Nil).

Note 8 Approval of Financial Statements

These financial statements were approved by management.

Alberta Heritage Savings Trust Fund *Schedule 1*

Cash and Marketable Securities

March 31, 1990

	1990		1989	
	Cost	Market Value	Cost	Market Value
	(thousands of dollars)			
Bonds:				
Government of Canada, direct and guaranteed	$ 223,785	$ 217,353	$ 111,449	$ 109,914
Provincial:				
Alberta, direct and guaranteed	219,998	211,149	2,866	2,859
Other, direct and guaranteed	65,795	64,171	45,087	44,369
Municipal	969	950	942	940
Corporate	39,171	37,180	–	–
	549,718	530,803	160,344	158,082
Bond coupons and residuals:				
Government of Canada, direct	61,427	59,316	48,292	47,376
Province of Alberta, guaranteed	1,059	1,015	1,737	1,706
	62,486	60,331	50,029	49,082
Mortgages	9,476	9,008	–	–
Mid-term money market securities:				
Certificates of deposit and guaranteed investment certificates	125,171	121,076	59,502	58,713
Bankers' acceptances	55,194	53,324	25,244	25,274
Promissory notes	90,127	87,693	25,071	24,594
	270,492	262,093	109,817	108,581
Short-term money market securities (a):				
Treasury bills:				
Government of Canada	494,872	494,872	1,011,817	1,011,817
Provincial	–	–	18,404	18,404
Promissory notes:				
Province of Alberta	1,067,279	1,067,279	389,048	389,048
Other	109,812	109,812	225,629	225,629
Bankers' acceptances	462,393	462,393	474,068	474,068
Bearer deposit notes	65,569	65,569	209,989	209,989
Certificates of deposit and guaranteed investment certificates	17,000	17,000	28,000	28,000
Fully hedged deposit receipts	–	–	88,838	88,838
	2,216,925	2,216,925	2,445,793	2,445,793
Deposit in the Consolidated Cash Investment Trust Fund	82,453	82,453	79,216	79,216
	$3,191,550	$3,161,613	$2,845,199	$2,840,754

(a) The market value of short-term money market securities is estimated to approximate cost.

Alberta Heritage Savings Trust Fund *Schedule 2*

Canada Investment Division Investments

March 31, 1990

	1990 Par Value	Cost 1990	Cost 1989
		(thousands of dollars)	
Debentures (a):			
Province of Manitoba	$ 110,000	$ 109,825	$ 109,651
Province of New Brunswick	147,000	145,897	170,758
New Brunswick Electric Power Commission	85,000	84,045	133,913
Province of Newfoundland	50,000	49,811	49,787
Newfoundland and Labrador Hydro	150,000	148,740	148,612
Newfoundland Municipal Financing Corporation	66,400	65,951	67,601
Province of Nova Scotia	210,000	208,040	207,844
Nova Scotia Municipal Finance Corporation	34,450	34,341	38,916
Nova Scotia Power Corporation	100,000	99,231	99,149
Province of Prince Edward Island	57,000	56,300	58,233
Hydro-Quebec	310,000	303,871	303,450
	$1,319,850	$1,306,052	$1,387,914

(a) Debentures bear interest rates from 9.50% to 16.375% with maturity dates from December 19, 1990 to July 15, 2005. The debentures are redeemable by a single payment of the full principal sum on maturity.

Alberta Heritage Savings Trust Fund *Schedule 3*

Alberta Investment Division Investments

March 31, 1990

	1990	1989
	(thousands of dollars)	
Provincial corporation debentures (a):		
Alberta Agricultural Development Corporation	$ 999,188	$1,033,380
Alberta Government Telephones Commission	998,946	1,098,774
Alberta Mortgage and Housing Corporation	2,925,905	3,134,070
Alberta Municipal Financing Corporation	710,000	780,000
Alberta Opportunity Company	156,693	163,800
Province of Alberta promissory notes	—	150,000
Corporate debentures:		
Millar Western Pulp Ltd.		
Participating debenture (b)	120,000	120,000
NOVA Corporation of Alberta Ltd.		
Adjustable rate convertible subordinate debentures (c)	150,000	150,000
Ridley Grain Ltd.		
11% participating first mortgage bonds (d)	133,976	133,976
Common shares:		
Alberta Energy Company Ltd. (e)	159,263	117,346
Canadian Western Bank	1,600	1,600
NOVA Corporation of Alberta Ltd.	24,533	—
Participation in joint ventures:		
Lloydminster Bi-provincial Upgrader Project (f)	29,763	2,417
OSLO Oil Sands Project (g)	3,990	—
Syncrude Project (h)	518,805	511,947
	$6,932,662	$7,397,310

(a) Provincial corporation debentures bear interest rates from 8.06% to 18.05% with maturity dates from April 15, 1990 to March 30, 2015. Interest rates on Alberta Government Telephones Commission and Alberta Municipal Financing Corporation debentures are fixed to maturity and redemption is by a single payment of the full principal sum on maturity. In general the interest rates on the other provincial corporation debentures are fixed for a five year period only and repayment is by annual instalments of the principal sum over the life of the debenture. The Provincial Treasurer may permit all or part of the other provincial corporation debentures to be redeemed by the issuer prior to maturity without penalty.

During the year debentures amounting to $96,902,000 (1989 $41,598,000) were redeemed prior to maturity.

In July 1990, the Legislature passed the Alberta Government Telephones Reorganization Act. The Act authorizes the holding company (TELUS) to issue common shares to the public. Under the proposed reorganization TELUS will acquire all of the assets of the Alberta Government Telephones Commission (Commission), and the Fund will acquire common shares of TELUS in exchange for the Commission's debentures. On August 8, 1990, the Province filed a preliminary prospectus with the securities commisions in Canada offering to sell up to 60% of its holdings of TELUS common shares to the public. The reorganization is subject to the completion of the share offering on or about September 28, 1990. The acquisitions and disposals of TELUS common shares as a result of the proposed reorganization will have no effect on Fund equity.

In August 1990, Alberta Mortgage and Housing Corporation announced completion of the sale of the Corporation's single family mortgage portfolio. Proceeds of approximately $607 million from the sale will be used to prepay debentures held by the Fund.

(b) The Province's contractual obligations to invest monies in a participating debenture of Millar Western Pulp Ltd. have been met up to the maximum authorized to be paid from the Fund. The monies have been used to finance a project to construct a pulp mill at Whitecourt, Alberta. Under the terms of the debenture, prior to repayment by the company of its bank construction loan, the Fund participates in 80% of the company's available cash flow, increasing thereafter to 90% when the company's bank construction loan is repaid. All participation payments are to be applied first in principal repayment and second in payment of interest as defined in the debenture. No interest is due until the full principal amount has been repaid. The principal is repayable over a period not exceeding fifteen years from the completion of the project or July 31, 2004, whichever is the earlier. The debenture is deemed to be repaid at any date prior to maturity (the prepayment date) if the sum of the advances made under the participating debenture, compounded at a rate of 10% per annum from the date of advance to the prepayment date, equals the sum of the participation payments received, compounded at a rate of 10% per annum from the date of receipt to the prepayment date. No interest has been accrued to March 31, 1990. Income from the debenture will be recognized to the extent that interest is received.

(c) The debentures are convertible at the Fund's option into common shares of the company on or before the earlier of February 15, 2008 or one business day prior to redemption, at a conversion price of $10.70 per share, subject to adjustment on the occurrence of certain events as defined in the debentures. Interest is payable semi-annually at a rate equal to the greater of 6.25% per annum and the dividend yield per annum based on dividends paid in the previous six months and the conversion price, plus 1%. If the conversion price is adjusted to $11.45 per share by the company on or after February 15, 1993, interest will be fixed at the rate of 7.5% per annum thereafter. The company may elect to pay interest in common shares of the company.

The debentures are redeemable at the company's option, at the principal amount plus accrued interest on or after February 15, 1993.

The debentures mature on February 15, 2008, or as may be mutually agreed between the company and the Province. At the option of the company, the principal amount of the debentures may be repaid by common shares of the company at the average closing price of the common shares on the Toronto Stock Exchange for the 30 trading days prior to the maturity date.

(d) The Province's contractual obligations to invest monies in participating first mortgage bonds of Ridley Grain Ltd. have been met up to the maximum authorized to be paid from the Fund. The monies have been used to finance the construction of a grain terminal at Ridley Island, Prince Rupert, British Columbia. Under the terms of the debenture, prior to completion of the project, interest on the bonds is capitalized and compounded annually; thereafter interest is compounded semi-annually and payable annually and any shortfall is to be capitalized. The principal, including capitalized interest, is repayable on or before July 31, 2015. Income from the bonds is recognized to the extent that interest is received.

The Fund's investment in the project at March 31, 1990 includes capitalized interest of $27,726,000 (1989 $27,726,000).

(e) Pursuant to section 19 (1) of the Alberta Energy Company Act, the Province may not hold more than 50% of the voting shares of the company and the aggregate amount that the Province may have invested in the company at any time, or be committed to invest in common shares shall not exceed $250 million as the purchase price thereof. At March 31, 1990 the Fund held 23,207,640 common shares of the company (1989 20,959,860 common shares) representing 35% (1989 35%) of the total number of issued and outstanding voting shares of the company.

The company reported retained earnings at December 31, 1989 of $228,800,000 (1988 $220,700,000).

(f) Authorization has been given to pay from the Fund the Province's share of equity contributions under the Joint Venture Agreement to construct and operate a Bi-provincial Upgrader in Lloydminster, Saskatchewan. As a 22.5% Class A and a 33.33% Class B participant in the joint venture, the Fund is obligated to contribute to the capital costs of the project in proportion to its participating interests, up to a maximum aggregate amount of approximately $305 million. Equity contributions to the joint venture do not bear interest and are repayable only from the Fund's share of net operating revenue generated from the operations of the upgrader, after completion of its construction in December, 1992.

Under the terms of the Agreement, prior to Husky Oil Operations Ltd. (a 25% Class A and a 33.33% Class B participant) achieving an after-tax stand alone nominal rate of return of 10% on the excess of its Class A equity contributions over its initial equity of $100 million, and assuming the Province of Saskatchewan has not exercised its option to acquire all of the Class B Participating Interests of the other joint venturers, Husky is entitled to approximately 53.33% and the Fund to approximately 16.19% of the net operating revenue of the venture, as defined in the Agreement. The Fund's participation in the project is summarized hereunder:

	1990	1989
Balance at beginning of year	$ 2,417,000	$ –
Equity contributions	27,346,000	2,417,000
Balance at end of year	$29,763,000	$2,417,000

(g) Authorization has been given to pay from the Fund the Province's share of equity contributions under the OSLO Operating Agreement (1981) and any construction, ownership and operation agreement entered into by the Province with respect to its participating interest in the OSLO Oil Sands Project. As a 10% participant in the project, the Fund is obligated to contribute to the development costs of the project in proportion to its participating interests, estimated to amount to approximately $439 million to 'production start-up'. The necessary engineering studies will be completed by the participants such that a decision on whether to proceed with the project can be made no later than December 1991. In the event that a decision is made not to proceed, the project costs incurred to that date would then be written off. The Fund's participation in the project is summarized hereunder:

	1990	1989
Balance at beginning of year	$ –	$ –
Equity contributions	3,990,000	–
Balance at end of year	$3,990,000	$ –

(h) Authorization has been given to pay from the Fund the Province's share of construction and operating costs incurred under the Syncrude Project Ownership and Management Agreement. As a 16.74% participant in the project the Fund is, as lessee, entitled to its proportionate share of all substances produced subject to the liabilities to the Province of Alberta, as lessor, in accordance with the Alberta Crown Agreement. The Fund's participation in the project is summarized hereunder:

	1990	1989
Balance at beginning of year	$511,947,000	$508,928,000
Advances	181,274,000	172,859,000
Repayments	(196,953,000)	(166,763,000)
Net profit (loss) for the year	22,537,000	(3,077,000)
Balance at end of year	$518,805,000	$511,947,000

Alberta Heritage Savings Trust Fund Schedule 4

Commercial Investment Division Investments

March 31, 1990

	1990		1989	
	Cost	Market Value	Cost	Market Value
	(thousands of dollars)			
Canadian equities (a):				
Common shares (b):				
Communications and media	$ 15,766	$ 34,076	$ 15,773	$ 40,124
Consumer products	16,830	41,650	19,571	40,653
Financial services	34,841	41,838	29,326	34,440
Gold and silver	20,508	42,511	15,943	31,579
Industrial products	34,313	50,787	24,936	46,403
Management companies	8,963	27,590	8,963	28,049
Merchandising	18,495	40,991	18,229	40,805
Metals and minerals	21,015	37,220	22,264	40,880
Oil and gas	36,242	53,136	30,373	46,892
Paper and forest products	8,222	17,897	7,028	19,316
Pipelines	9,271	16,137	9,484	14,052
Transportation	8,395	19,890	2,584	10,061
Utilities	25,572	38,730	22,292	32,854
Preferred shares:				
Financial services	14,673	14,217	10,968	10,653
Merchandising	2,716	2,396	2,124	2,986
	275,822	479,066	239,858	439,747
Short-term money market securities (c):				
Treasury bills:				
Government of Canada	32,454	32,454	36,974	36,974
Bankers' acceptances	5,903	5,903	9,839	9,839
Promissory notes	1,954	1,954	–	–
	$316,133	$519,377	$286,671	$486,560

(a) The industrial classifications are those used by the Toronto Stock Exchange.

(b) At March 31, 1990 common shares with a market value of $4,579,000 (1989 $11,889,000) were loaned to a borrower. The loan was secured by a letter of credit issued by a chartered bank with a net realizable value of approximately $5,232,000 (1989 Government of Canada treasury bills $13,108,000). During the term of the loan, the Fund retains the right to receive dividends on the securities loaned.

(c) The market value of short-term money market securities is estimated to approximate cost.

Alberta Heritage Savings Trust Fund

Schedule 5

Capital Projects Division Investments - Assets

March 31, 1990

Department/Project	1990	1989
	(thousands of dollars)	
Economic Development and Trade		
Venture Capital Financing - Vencap Equities Alberta Ltd. (a)	$199,994	$199,995

(a) The outstanding balance of the loan to Vencap Equities Alberta Ltd. (Vencap) is repayable in instalments of $1,000 in each of the years 1990 to 2002, inclusive, in instalments of $15,000,000 in each of the years 2003 to 2012, inclusive, and a final instalment of $49,981,000 in 2013. In the current year interest on the participating debenture securing the loan amounts to 50% (1989 50%) of the defined net income of Vencap. This percentage reduces as the loan is repaid and convertible debentures amounting to $40,000,000, maturing July 2, 1998 and guaranteed by the Province, are converted or redeemed. For 20 years following full repayment of the loan, the Fund will receive 10% of the defined net income of Vencap.

As further consideration for the loan, the Province has been granted an option to purchase up to 4,000,000 special shares at $1 each, exclusive to the Province, convertible into common shares of Vencap. The purchase option expires on the later of the repayment of the loan and the redemption or conversion of the convertible debentures, on which later date the 20% voting rights attaching to each and all of the special shares cease.

Alberta Heritage Savings Trust Fund *Schedule 6*

Capital Projects Division Investments - Deemed Assets

March 31, 1990

Department/Project	1990	1989
	(thousands of dollars)	
Advanced Education		
Alberta Heritage Scholarship Fund	$ 100,000	$ 100,000
Clinical Research Building	17,632	14,100
Library Development	9,000	9,000
Agriculture		
Farming For The Future	53,347	48,577
Food Processing Development Centre	9,013	9,013
Irrigation Rehabilitation and Expansion	286,952	262,061
Private Irrigation Water Supply	192	–
Economic Development and Trade		
Rail Hopper Cars	53,661	53,661
Education		
Alberta Heritage Learning Resources	9,222	9,222
Energy		
Alberta Oil Sands Technology and Research Authority	418,700	413,549
Renewable Energy Research	77	–
Environment		
Irrigation Headworks and Main Irrigation Systems Improvement	433,808	396,623
Land Reclamation	35,371	32,963
Lesser Slave Lake Outlet	2,889	2,889
Paddle River Basin Development	41,781	41,781
Executive Council		
Occupational Health and Safety Research and Education	8,682	7,390
Forestry, Lands and Wildlife		
Alberta Reforestation Nursery	14,739	14,739
Grazing Reserves Development	39,094	39,094
Maintaining Our Forests	24,960	24,960
Health		
Alberta Children's Provincial General Hospital	40,477	40,477
Applied Cancer Research	41,183	38,493
Applied Heart Disease Research	29,341	29,341
Tom Baker Cancer Centre and Special Services Facility	93,204	93,204
Public Works, Supply and Services		
Capital City Recreation Park	43,523	42,742
Fish Creek Provincial Park (Land)	27,107	28,237
Walter C. Mackenzie Health Sciences Centre	391,469	389,869

Department/Project	1990	1989
	(thousands of dollars)	
Recreation and Parks		
Fish Creek Provincial Park (Development)	$ 16,859	$ 16,859
Kananaskis Country Recreation Development	224,728	224,729
Municipal Recreation/Tourism Areas	10,815	7,475
Urban Park Development	87,575	86,650
Technology, Research and Telecommunications		
Alberta Heritage Foundation for Medical Research Endowment Fund	300,000	300,000
Electronics Test Centre	6,175	6,175
Individual Line Service	151,388	105,391
Microchip Design and Fabrication Facilities	7,750	7,750
Transportation and Utilities		
Airport Terminal Buildings	16,359	16,359
	$3,047,073	$2,913,373

(a) Commitments for expenditure on capital projects aggregated approximately $114,960,000 at March 31, 1990 (1989 $158,257,000).

Claims and potential claims pending at March 31, 1990 in respect of various capital projects exceeded amounts expended by approximately $5,085,000 (1989 $18,851,000). The resulting loss, if any, from these claims and potential claims cannot be determined.

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